

Budget Address 2021-2022 *NORTHWEST TERRITORIES*

The Honourable Caroline Wawzonek
Minister of Finance

Second Session of the
Nineteenth Legislative Assembly

February 4, 2021



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English

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French

Kīspin ki nitawihitīn ē nīhīyawihk ōma ācimōwin, tipwāsinān.

Cree

Tḥchᑭ yatı k'èè. Dı wegodı newᑭ dè, gots'o gonede.

Tḥchᑭ

ʔerihł'is Dēne Sųhné yatı t'a huts'elkēr xa beyáyatı theʔą ʔat'e, nuwe ts'ēn yółtı.

Chipewyan

Edı gondı dehgáh got'ıe zhatıé k'éé edatł'éh enahddhę nıde naxets'ę edahlı.

South Slavey

K'áhshó got'ıne xədə k'é hederı ʔedłhtł'é yerııwę nıdé dúle.

North Slavey

Jii gwandak izhii ginjik vat'atr'ijáhch'uu zhit yinohtan jı', diits'at ginohkhıi.

Gwich'in

Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqluta.

Inuvialuktun

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Inuktitut

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.

Inuinnaqtun

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Introduction

Mr. Speaker, approximately one year ago, I stood in this Assembly and introduced Budget 2020 as part of a journey. I described it as a foundation from which we could build a positive fiscal path towards long term economic growth and stability. There were already negative economic indicators but I said that we should not describe our circumstances as a crisis. I said that I was cautiously optimistic that achieving our priorities and building from a solid foundation was possible with discipline and planning.

At the time of tabling Budget 2020, I did not predict that last year's budget session would end abruptly to focus government efforts on a pandemic that was creating a public health crisis, not only in the Northwest Territories, but across Canada and around the world. The need to shut down to contain the virus resulted in an economic crisis for the Northwest Territories; a crisis that has impacted people in different ways, as many have lost their livelihoods or face precarious financial futures.

Mr. Speaker, the world has and still is experiencing a crisis. While all levels of government moved with speed and collaboration to respond to the COVID-19 pandemic, we are still experiencing how quickly things change.

In tackling the pre-existing challenges of our undiversified economy, made only more immediate by the impacts of the pandemic, we should remember that the economy is not a 'thing.' An economy is the way that we as a society choose to allocate our resources to serve our families, our communities and our society's needs and wants: education and opportunities for our children and grandchildren, appropriate health care, housing, and food. Challenges and crisis provide opportunity and motivation for needed change and for unified effort towards common goals.

Knowing all this, I remain cautiously optimistic about our future.

I do not arrive at this optimism lightly. I will share three reasons with you.

First, the people of the Northwest Territories have confirmed that our brand of Northern spirit, resilience, and community is stronger than ever. We all saw the power of coming together to follow health protocols, supporting our local economy, taking staycations and finding creative ways to continue to deliver goods and services.

Second, our fiscal structure has insulated us from even greater economic shocks and allows us an opportunity to preserve stability as we look towards recovery. While in other times many, including me, have expressed concern over the challenge of an undiversified economy, in the present economic climate having a large public sector has helped support continued levels of employment and disposable income. Territorial Formula Financing, among other federal supports, has kept our revenues comparatively stable.

Last, and where I will spend the majority of this Budget Address, is on the foundations we have started to build for a healthy, resilient and more diverse economic future for the Northwest Territories. With the anxieties of the pandemic ever present, I did not realize just how far we have actually come in the journey I spoke about one year ago until I began to prepare for this Budget Address. As I will soon describe, we are building foundations for a well-educated population, healthy and safe families and communities, and economic opportunities both territory-building in scale and at community levels and we are changing the way we do business to get better value for the people of the Northwest Territories.

Mr. Speaker, while delivering the Budget this year, it is important to directly acknowledge the need for economic recovery. That fact does not diminish the reasons for optimism I shared earlier. Just in time to be reflected in Budget 2021, we have the benefit of the Business Advisory Council's report speaking to both relief and recovery from COVID-19. The report highlights the need to focus on education, green technology and our opportunity to not only move towards greener energy solutions but to be part of a critical mineral value chain that will supply the world with the technological requirements for greener energy, as well as business support through government procurement, catching up our infrastructure across sectors, and more and better opportunities for equity participation by Indigenous governments. I feel optimistic knowing that we all share similar goals and, again, the foundation to achieve those important asks are reflected throughout this Budget.

The strength, resiliency and creativity of the Northwest Territories population cannot be overstated as an economic benefit. I heard directly from many residents and organizations during Budget Dialogues last summer that although there is anxiety and worry, people continue to believe we can achieve stability and growth. There was a desire for fiscal stability, which this Budget provides by avoiding cuts or new taxes. There was also a strong connection drawn between long-term investments in people, including education and health, and future financial wellbeing, which is also reflected in this Budget. Another strong theme was the need to know that the government will be efficient and fiscally responsible with an eye on the future.

This last ask is the goal of the Government Renewal initiative that I announced in October and which is now underway. This does not require new funding from this Budget but it will be a significant government-wide effort to ensure our fiscal house is in good order.

Mr. Speaker, I present Budget 2021 as a stability budget that builds on the foundations we have set over the past year and allows further opportunity to advance many important projects. In this time of uncertainty we propose to carry on with \$2 billion in expenditures and no spending reductions. Over the next few minutes I will share details of the work happening across departments that will support our economic future; describe ongoing

investments in our people, our anchor industries and our communities, and what is being done to ensure government efficiency so that I can continue to stand in the Assembly and say that we should look with optimism towards our future.

Economic Outlook

Mr. Speaker, we estimate that the Northwest Territories economy shrank almost 7 per cent in 2020 because of the immediate and severe economic disruption caused by the global coronavirus pandemic at the beginning of the year.

By the end of 2020 we saw the predicted economic rebound begin and we expect economic activity this year to continue to recover from the 2020 low. The Northwest Territories economy in 2021 will likely remain smaller than it was in 2019 and the risks and challenges remain the same as before the pandemic's economic shock.

Until the global health crisis is under control, a full recovery of the territorial economy will be slow and uneven. Industries such as local retail, construction, and public administration have seen faster returns towards pre-pandemic strength, while hard hit sectors such as tourism, hospitality, airlines, mining, and wholesale trade continue to struggle. Global lockdowns and border closures, reluctance or lack of opportunity to travel by air, and reduced international demand for diamonds, fur and aurora tours, mean our hardest hit sectors will take more time to show signs of recovery.

Long-term challenges such as maturing diamond mines, an aging population, and a lack of economic diversification or private-sector activity will depress future growth unless there are substantial structural changes. Long-term structural challenges must not be underestimated. Meanwhile, we must remain vigilant about public health orders because more coronavirus cases in the territory could dampen economic recovery.

Putting forward a recovery plan while still in the midst of an evolving crisis is challenging. We need to invest when the moment is right to catch the wave of recovery while not underestimating the full extent of the pandemic and invest too soon. With a spirit of knowing what we can accomplish together, especially when collectively motivated, we are working to develop our recovery roadmap. It will evolve as the distribution of the vaccines changes the way we respond to the pandemic. We should all feel encouraged that with the vaccine, the "can do" attitude shown by the public service from the earliest days of the pandemic through to the vaccine roll out, the creativity and patience of the business community, and the investments proposed in Budget 2021, we can move quickly with a flexible and responsive recovery.

Budget Highlights

The GNWT is a large player in the territory's economy. Budget 2021 has no reductions because right now the economy needs support. Despite welcomed additional federal transfers since last March to help us keep our residents safe and our economy working, we expect to spend more on programs and services in 2020-21 than we will bring in as revenues. For the third year in a row we anticipate that we will have an operating deficit. This means that we needed to borrow more than expected for the capital budget and debt is projected to increase to \$1.33 billion by March 31, 2021.

In Budget 2021, thanks again to increased federal support, we are projecting revenues to be higher than operating expenditures, which will produce a \$69 million operating surplus. However, we need more than this operating surplus to pay for the \$441 million capital plan approved last October and to start reducing the debt that we have already accumulated.

Revenues

Revenues are projected to be \$2.2 billion in 2021-22. We are expecting lower amounts of our own revenues, especially corporate income tax, resource royalties and revenues from the Yellowknife Airport and Marine Transportation System revolving funds. The federal government is providing additional funds above the typical annual transfers and our fiscal independence has weakened as a result. The combination of increased transfers and lower own source revenues has increased the federal contribution to our total revenues from an average 81 per cent to over 85 per cent.

While Territorial Formula Financing arrangements provide a stable and predictable revenue base, we are facing serious risks to our own source revenues. A slowing economy will likely mean several years of declining tax revenue, especially corporate and personal income taxes, and potentially little resource revenues. Furthermore, we face significant risks to both our own revenue base and federal transfers if our population starts to decline.

Mr. Speaker, we have chosen to balance our need for revenue by supporting a competitive tax regime for small business, reducing the small business tax rate from 4 per cent to 2 per cent effective January 1, 2021. In an average year, this will result in foregone revenues of about \$1.7 million annually but provides greater value by leaving small business with more resources to grow the economy.

Continuing our usual practice, we will increase property tax rates and some fees to match inflation.

As we agreed by signing the *Pan-Canadian Framework on Clean Growth and Climate Change*, our carbon tax rates will increase to \$40 per tonne of carbon dioxide equivalent emissions on July 1, 2021. Although this will add 2.4 cents in additional tax to a litre of gasoline and corresponding increases to other carbon-based fuels, our suite of carbon tax rebates will continue and the Cost of Living Offset will increase on July 1 to \$208 per adult and \$240 per child to help residents adjust to the higher carbon price.

Expenditures

Mr. Speaker, we are proposing to spend \$2 billion on programs and services in 2021-22, an increase of \$117 million from last year's budget, a result of \$132 million in new spending that is partially offset by \$15 million in savings.

Not all of this funding will be rolled into the operating budget expenditure base for future years, such as the \$41 million for various COVID-19 supports included in the Budget to continue to keep our communities and residents safe. We are hopeful that our evolving response to the public health risks will make a portion of the \$35 million for the COVID-19 Coordinating Secretariat included in this Budget unnecessary with the need for the Secretariat phased out over the 2021-22 fiscal year. The Budget includes \$4.3 million for contributions to our schools to ensure that learning continues while we keep our children safe and an additional \$1.1 million to Student Financial Assistance for extra support to post-secondary students for their increased education costs because of the pandemic.

Excluding the COVID-19 Coordinating Secretariat and other COVID-related supports, Budget 2021 includes \$2.3 million more for new asset amortization costs and \$90 million in new spending. This new spending includes \$23 million to maintain existing service levels in some programs, \$40 million to enhance programs and services already offered and \$26 million to further our priorities.

Social Programs and Community Wellness

Over 60 per cent of our spending on programs and services goes to investments in our people and to keep our communities healthy and safe. Spending on social programs and communities underpins a healthy economy. We propose in this Budget to increase spending on these vital programs by \$64 million, including \$20 million for initiatives that directly address priorities of this Assembly; \$28 million to continue or enhance work already underway; and \$16 million to address funding pressures such as in income assistance, medical travel expenses and shelter funding.

Budget 2021 includes \$4.5 million to complete the phased approach to bring child and youth care counsellors to all regions of the territory to support young people facing a range of personal or social issues. This program will provide year-round support and ensure that help is available after-hours.

We need to better protect vulnerable children and we are proposing to add \$7 million to the Child and Family Services budget for this purpose. These new resources will expand the ability of Child and Family Services to address gaps in the system and to accelerate implementation of its Quality Improvement Plan. The additional resources will compress what was a five-year plan into three years with the second phase expected to be completed shortly and the third phase in 2021-22. The funding will increase the number of Community Social Services Workers, family preservation workers, child and youth placement coordinators, foster care and adoption workers, and case aid workers to help vulnerable children and their families. The Office of the Children's Lawyer is experiencing an increased

number of clients and we have included an additional \$99,000 in funding to support service availability.

Mr. Speaker, we want our families to be healthy. We propose to renew and improve the Healthy Family program with \$1.1 million to help parents ensure their children get a good start in life. The Healthy Family program was re-designed with support from families, communities and other partners to better reflect early childhood development and culturally-based prevention priorities.

A good start in life needs to include opportunities for early learning and quality child care. One significant reason for the lack of licensed child care spaces is the high costs of infrastructure to start up or expand operations. By providing ongoing funding of \$500,000 in this Budget to subsidise facility repairs and renovations, we will help increase the number of daycare spaces and improve child care availability and affordability.

Before remote learning became a common concept across Canada last March, the GNWT had already introduced the Northern Distance Learning program so that youth in remote communities could remain with their families and still have access to educational opportunities available in larger centres. We are including an additional \$1.2 million for the Northern Distance Learning program in this Budget to fulfil the next step in the multi-year plan to improve and enhance services and make the program available to more students.

If we want better education outcomes for our children, we need to ensure that our schools use the best practices and that these practices have the support of parents and students, education staff and Indigenous governments. This Budget includes \$306,000 for the first year of a three-year plan to modernize and renew the *Education Act* to support an education system that will set our students up for success. We are also proposing to include \$265,000 in this Budget to advance the development and implementation of competency-based professional standards for Junior Kindergarten to Grade 12 educators.

Connecting students to jobs is good for the student, good for business, and good for the economy. With an additional \$508,000, we propose to hire Career and Education Advisors in the Dehcho, Sahtu, and South Slave regions, similar to the advisors already in the North Slave region. These advisors will work with students and their parents and guardians to provide information for the transition to post-secondary schooling, provide advice to Aurora College students on Northern job opportunities, promote the Schools North Apprenticeship Program for skilled trades and certifications, and help post-secondary territorial students connect with employers.

As the territory's population ages, the GNWT plans to significantly increase long-term care spaces where they are needed most. We have added \$406,000 in this Budget to address increased costs for long-term care services currently provided by Avens. Budget 2021 includes \$1.1 million to train more personal support workers and licensed practical nurses through Aurora College to care for long-term care residents with graduates who have gained their skills within our Territorial community.

Community governments deliver services that are vital for the survival of our communities and our economy. To help reduce the gap between the cost of providing municipal services

and the revenues that communities can raise themselves, we propose to increase annual community government funding by \$3.3 million. Communities can count on their share of this revenue to continue year-over-year to more adequately fund their operations and water and sewer services; however, we estimate that there is still a \$16.4 million funding gap for these community budgets and we will continue to work with our community government partners to address this gap.

We are exploring better ways to keep our communities safe. This Budget includes a \$303,000 proposal for a pilot Community Safety Officer Program that will be community-led and developed using best practices from other jurisdictions to guide implementation. Administered by a community government, Community Safety officers will be a visible presence in the community to deter crime and will develop close working relationships with the RCMP, municipal and territorial enforcement agencies. These officers will not carry weapons and will actively work with citizens in a culturally appropriate way to promote community wellbeing.

Budget 2021 includes a number of other investments in justice programs. We are proposing to continue work already started with the Government of Canada with an additional \$158,000 in 2021-22 for finalizing and implementing the *Gun and Gang Strategy*. This work supports community-level prevention and enforcement efforts to address criminal activity arising from organized crime and to appropriately design a response to the violence, fear, and harm created by gangs. In response to increased demand for court sittings we propose to include \$233,000 to create two new sheriff positions in Yellowknife. We have also included \$123,000 in this Budget to address rising costs for providing services to inmates at the North Slave Correctional Complex. The demands of round-the-clock law enforcement in our largest city, combined with new training requirements, means it is necessary to include \$422,000 in this Budget for three more RCMP constables in Yellowknife. Finally, we accept the recommendations in the *2020 Judicial Remuneration Commission Report* by including \$257,000 in this Budget for additional compensation and training opportunities for Territorial Court judges.

The 19th Legislative Assembly has a clear priority to increase the number of affordable homes and reduce core housing need. The 2021-22 Budget proposes to provide the Northwest Territories Housing Corporation with the first \$5 million, out of a total of \$15 million over three years, so that it can participate in the National Housing Co-Investment Fund and expand the number of housing projects it can undertake. We also propose to provide the Corporation with \$300,000 to help low-income homeowners replace ageing fuel tanks and an additional \$109,000 to assist emergency shelters facing increased costs due to inflation.

We are proposing to add \$4 million to the Income Assistance program to address both an increase in clients and changes in allowances.

Escalating drug and non-discretionary supply costs, as well as more patients requiring out-of-territory care, have put huge expenditure pressures on our health system and we are addressing these pressures with a further \$30 million for increased health care expenditures in this Budget, including \$8.4 million in federal funding to improve services under the *First*

Nations and Inuit Home and Community Care Agreement. This additional funding addresses some of the annual overage in the Department of Health and Social Services budget such as \$7.5 million to reflect the 24 hours, seven days a week nature of operations, \$3.4 million for medical travel, \$1.8 million for supplementary health benefits and \$4.2 million for out-of-territory hospital and physician services for residents.

We recognize that the need for \$30 million in one year to address the fiscal challenges in our health care system is significant. The Department of Health and Social Services has developed a Sustainability Plan to ensure the long-term fiscal viability of our health services in the face of mounting costs so that residents continue to receive the best possible physical and mental health care.

We are proposing \$280,000 in this Budget to extend the community-based peer support program started this year for people with mental health and addiction issues. Increasing evidence is showing that supportive relationships between people with common experiences help reduce hospitalization and distress and improve the quality of life of participants. As part of our ongoing partnership with Canada on home and community care, we are proposing a \$290,000 increase in the Budget to further support the Paid Family Caregiver Project and fund project software to improve service delivery.

We are looking in this Budget to maintain the momentum to preserve, revitalize and strengthen Indigenous languages with \$600,000 in continued spending to develop an Indigenous Languages Adult Immersion Diploma in partnership with Aurora College, the University of Victoria and Indigenous governments. This post-secondary programming will be used to help develop a new generation of proficient Indigenous Language speakers and a work force that can fill occupations requiring the ability to speak Indigenous languages.

We have also partnered with Canada on minority language development and propose to include \$711,000 as a continuation of the *Canada-Northwest Territories Agreement on Minority Language Education and Second Official Language Instruction*. This funding will provide for French language education in schools and the Collège nordique francophone.

Job Growth and Economic Development

Mr. Speaker, the coronavirus pandemic has hurt some businesses more than others. Many businesses will take time to recover and others may close permanently. The pandemic was yet another reminder that the dependence on government and the resource industry makes the territorial economy extremely vulnerable and our past approach to implementing economic strategies has not done enough to provide economic diversity, stability and strength.

A successful future economy needs investments in lifelong education. That is one of the main reasons why we have done the legislative groundwork to transform Aurora College into a polytechnic university. We also need to ensure that we have processes in place to monitor and evaluate our post-secondary programs so that students can be assured that our educational programs meet the required standards and quality found at other Canadian

universities. To achieve this, we are proposing to add \$177,000 for a Quality Assurance Coordinator to maintain quality instruction at the post-secondary level.

Over the past year the tourism sector, and many of the hospitality and accommodation businesses associated with it, have been especially hard hit by the impacts of a pandemic that crippled travel and tourism world-wide.

The Northwest Territories remains a spectacular destination for Canadians and international travellers alike and we want to remind the world of all that we offer as a destination. The proposed \$936,000 in this Budget for a renewed *Tourism 2025* investment strategy is intended to help our tourism sector to return to 2018-19 levels of visitors and spending by 2024-25 by preserving funding of existing programs, and introducing new services and activities, providing training for operators and tourism staff and gathering data to better guide and evaluate investments.

The challenges in our resource sector are rooted in the global market but we can still find effective ways to support this vital part of our economy. We need to provide clarity, certainty and an inclusive approach to balancing priorities of exploration, development, community involvement and environmental stewardship. We have the opportunity to position the Northwest Territories as a leader in responsible resource exploration and development by drafting sensible regulations that do not discourage resource development while still providing the environmental protection that Northwest Territories residents expect. This Budget includes an additional \$360,000 in 2021-22 only to develop the regulations for the *Mineral Resources Act* that came into effect near the end of the 18th Legislative Assembly. We also propose to maintain the Mineral Incentive Program by re-instating \$400,000 for 2021-22 and propose \$225,000 for the continued implementation of the *Petroleum Resources Strategy*.

We are continuing to implement our commercial fisheries revitalization strategy for a viable Great Slave Lake commercial fishery. To support commercial fishers on Great Slave Lake we propose to include \$150,000 to expand the role of the fish officer position while the fish processing facility is being built in Hay River. We also propose a \$100,000 contribution to assist the Tu Cho Fishers Cooperative to complete the work necessary to put the plant into operation.

On the recommendation of the Standing Committee on Accountability and Oversight, the Budget includes \$510,000 to further address the mandate priority to increase the amount of food produced locally. We propose to direct \$110,000 of this funding to the Sustainable Livelihoods Program to work with partners to develop and deliver harvesting training courses, including safety and navigation, harvesting and processing skills and food preparation. We also propose to allocate \$400,000 of this funding to implement a food safety framework and develop appropriate food safety regulations that will help remove obstacles that prevent residents producing their own food and distributing to others.

We intend to sharpen the focus on our efforts to address unauthorized land occupancy by proposing \$309,000 to address untenured and unauthorized occupancy on public lands. We will use these funds, along with participation from Indigenous groups and Northwest

Territories residents, to identify ownership, determine if occupancy is based on traditional rights, offer tenure to land if appropriate or move ahead to remove unauthorized occupants. We also intend to support better land use planning with \$253,000 to staff the Wek'èezhii land use planning office.

We aim to link our support for regional economic development with opportunities in the knowledge economy by proposing to include \$350,000 to capitalize on our knowledge economy strengths and establish regional economic development plans with our partners.

Climate Change and Environment

The Northwest Territories is at the forefront of the effects of climate change and sees its impact on our environment, wildlife, and people. In October 2020, the GNWT allocated \$2.6 million to support five departments in staffing 14 new full-time and 2 new seasonal climate change-related positions located in Yellowknife, Hay River, Fort Smith and Inuvik for implementation of the *2030 NWT Climate Change Strategic Framework* action plan. Budget 2021 plans to continue this work with an additional \$2.6 million. This funding will be used to help the Northwest Territories transition to an economy that uses fossil fuels less intensively and is better able to adapt to the effects of climate change on the natural environment, human health and wellbeing, culture and heritage, infrastructure, and the economy. The GNWT is also establishing a Northwest Territories Climate Change Council to include Indigenous governments and organizations, community governments, and other external partners, including non-governmental organizations and industry representatives, in the implementation of our action plan. The Council will play a key role in strengthening the leadership and authority of the GNWT on climate change.

Governance

We are pleased to honour the new *Déline Got'ine Government Financing Agreement* with \$199,000 for incremental grant funding, equivalent to funding received by other communities.

As announced last July, we propose to invest \$631,000 in this Budget to create a Gender Equity Unit to lead and coordinate all of the work being done to advance equality in the Northwest Territories. With these resources we want to better ensure that government decisions, including financial decisions, consider their sometimes unequal effect on people with different identity factors such as gender, race, ethnicity, religion, age or abilities. We want to support all departments and agencies to consider gender and identity factors so they can improve all services delivered and advance the goal of a more inclusive society. This work is just beginning for us but its purpose has been enshrined in Canada's *Charter of Rights and Freedoms*, and called for in the *Calls to Justice of the National Inquiry into Missing and Murdered Indigenous Women and Girls*. With an expanded unit, the GNWT can better serve the public by incorporating the perspectives of people from across the gender spectrum in

its activities and assessing how diverse groups of Northwest Territories residents experience government policies.

Government renewal

We have added new spending to this year's operating and capital budgets without finding any savings or new revenues to pay for them in order to be a source of stability while we navigate globally uncertain times. As we advance in this Assembly, we will need to set ourselves on a better expenditure track if we want to be able to continue to make investments that will provide for a strengthened and diversified economy for the future.

Mr. Speaker, not every initiative requires significant new funding. Some of the most important work we are doing towards improving our economic outlook and fiscal governance does not have its own budget line.

For example, we have established a working group to find ways to reduce red tape for small business. The working group will look at regulations and processes used to enforce regulations that affect small business and will ask why we have certain regulations and assess the risk if the regulation is removed or the process is changed. We expect the working group to provide recommendations to improve regulations so they achieve their reason for existence with the least administrative burden possible. We have also recently announced the formal start of the procurement review. In addition, on October 30, 2020, I announced the next steps in the promise made in our first budget to use creativity and innovation to do better with the resources we have and move away from any pattern of spending that allows duplication. Starting immediately, the Department of Finance will be working with other departments to implement the government renewal initiative.

Government renewal must take a comprehensive and whole-of-government review. The renewal starts with individual departments but will quickly extend to reviewing programs and outcomes that are shared across departments. We will be using program evaluation techniques, gathering objective evidence, and reporting on outcomes associated with the spending of public money to help inform financially responsible and sustainable policy decisions. The vision is to help departments build their budgets based on the value delivered in the service of public priorities rather than on incremental growth.

This is a shift in the way we think about budgeting and the need for close coordination and clear communication between Government and the Members of the Legislative Assembly as the work progresses will be essential. We all have a role to play in ensuring that the GNWT is an effective and sustainable organization for the long term and that all of our decisions are driven by value and priorities that serve residents across the territory.

Once a stronger culture of outcome evaluation and the processes of value-oriented budget are in place, the ongoing benefit for delivering on priorities will make the time and resources spent worthwhile.

Conclusion – Looking Ahead

Mr. Speaker, the health, social and economic crisis of the COVID-19 pandemic has showed us the power of pulling together as a society and as a government in pursuit of a common goal; as we have done across the Northwest Territories in order to limit and contain the spread of COVID-19. We need to take advantage of this collective spirit to keep the momentum going towards the common goal of supporting the recovery and future economic growth.

Budget 2021-22 is not itself a COVID-19 relief package. Our recovery cannot be a one-time event; it will need to reflect the changing landscape of this pandemic, including the vaccine roll out here and across Canada and the speed of the global economic recovery. Budget 2021 provides stability and builds on the foundations for economic growth that we already knew we needed last year.

I remain cautiously optimistic about our economic and fiscal future; a future for all NWT residents. Through engagements with the business community, I know the frustrations and fears are very real but what they have said about our economy and ideas for change is not a surprise. That leaves me optimistic because I see the work we are doing to address those calls for change. Similarly, after conducting extensive Budget Dialogues last summer, we heard the calls from residents to ensure investments in people, to avoid government duplication, find internal efficiencies and ensure value for public dollars, this also gives me the confidence that our initiatives are on a good path.

Budget 2021 continues to invest in health care, communities and community services, early childhood supports, education modernization including in distance education and progress on the *Climate Action Plan*. There are also investments towards a modern regulatory landscape for our mineral resource sector and public lands. Furthermore, we are advancing regional growth initiatives such as the Great Slave Lake fishery and exploring LNG feasibility.

The three mandated infrastructure projects, the Mackenzie Valley Highway, Taltson hydro expansion and the Slave Geologic Corridor, continue to progress. In addition, there is an expansion of the Mackenzie Valley fibre optic line to Tuktoyaktuk and the GNWT is supporting the Tłıchǵ Government to run a fibre optic line to Whatı in conjunction with the final work on the Tłıchǵ All-Season Road. These projects, together with work announced by Northwestel last fall, means that all Northwest Territories communities will have access to high speed internet by 2023.

Mr. Speaker, the pandemic is still with us just as much as the economic problems that pre-existed it. Our work to respond to all of these challenges is underway. Added to that is the resiliency of the people of the Northwest Territories. That resiliency is not new but it has been particularly strong and present through the pandemic; a resiliency that includes creativity, innovation and collaboration. With these foundations, we will build a healthier and more sustainable economic future for the Northwest Territories.

Thank you, Mr. Speaker.



Economic Review 2021-2022 Northwest Territories

Department of Finance
February 4, 2021



ECONOMIC REVIEW

Global financial, economic, and political uncertainty in 2019 through early 2020, and low commodity and diamond prices, hurt the Northwest Territories (NWT) resource sector and resulted in lower economic activity, private-sector investment, and employment for Northerners. The continued brittleness of an undiversified economy concentrated in a narrowly-based, non-renewable resource export sector and a large, non-competitive government sector, also limited the ability of the Government of the Northwest Territories (GNWT) to generate revenues from its tax bases, further increasing its reliance on federal transfers and hindering its ability to support economic self-sufficiency.

These economic challenges were aggravated by the global coronavirus pandemic, which resulted in the implementation of public health measures in the territory in March 2020. The swiftness of the introduction of public health measures produced a serious disruption to the NWT economy, with an immediate drop in consumer spending, trade, diamond production, and private-sector investment and the closing of the borders to tourists. The disruption created a steep loss in territorial earnings, and employment.

The coronavirus (COVID-19) pandemic also created new economic challenges. Public health measures worldwide that closed borders and consumer reluctance to travel resulted in NWT tourism and many regional airline routes disappear virtually overnight. While the tourism sector is still hampered by border restrictions, other areas of the economy are recovering strongly.

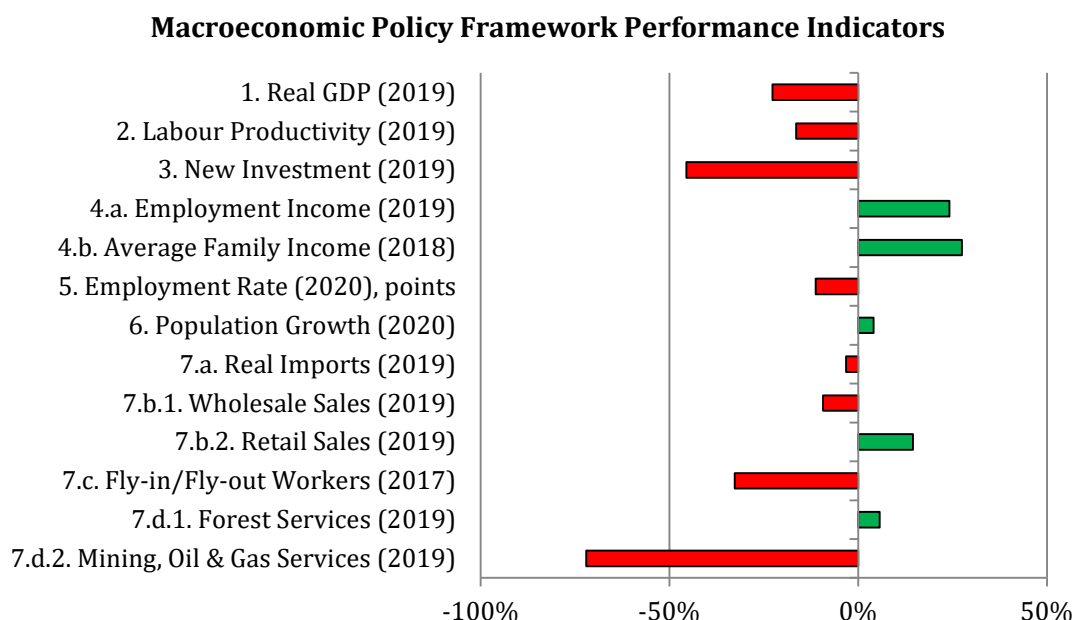
Since reaching economic lows in the second quarter of 2020, many areas of the NWT economy are well into recovery. Nearly all jobs lost during the pandemic have been recovered, average weekly earnings are rising, most businesses have reopened and employees returned to work, retail trade has increased beyond last year's levels, and construction and some investment projects are progressing despite delays. The recovery has been uneven and the NWT economy, especially in areas of pre-pandemic weakness, is continuing to struggle. There are also signs that the recovery may be slowing, and that some economic gains may lose momentum or reverse, particularly if coronavirus cases increase in the territory.

RECENT ECONOMIC PERFORMANCE

The recent performance of the NWT economy is evaluated using the 13 performance indicators found in the *Macroeconomic Policy Framework*. These indicators were designed to capture broad measures of economic wellbeing and provide an indication of the effectiveness of the GNWT's investments to grow and diversify the economy.

Parts of the economy are recovering and although the challenges of 2020 remain, attention is turning towards creating a stronger economy for the benefit of all NWT residents. This requires addressing the real, structural deficiencies in the economy. The *Macroeconomic Policy Framework* is used to assess the progress towards a strong, diverse, and inclusive economy, using performance indicators that compare current indicators to their 2007 baseline values.

Seven of the 13 indicators have moved in a positive direction, but the key drivers of increased GDP, productivity and new investment, are negative and continue to hold back economic growth. In the following figure, the indicators with red bars show a negative percentage change in their values and the indicators with green bars show a positive percentage change in their values since the baseline year of 2007. All performance indicators reflect the most current data available.



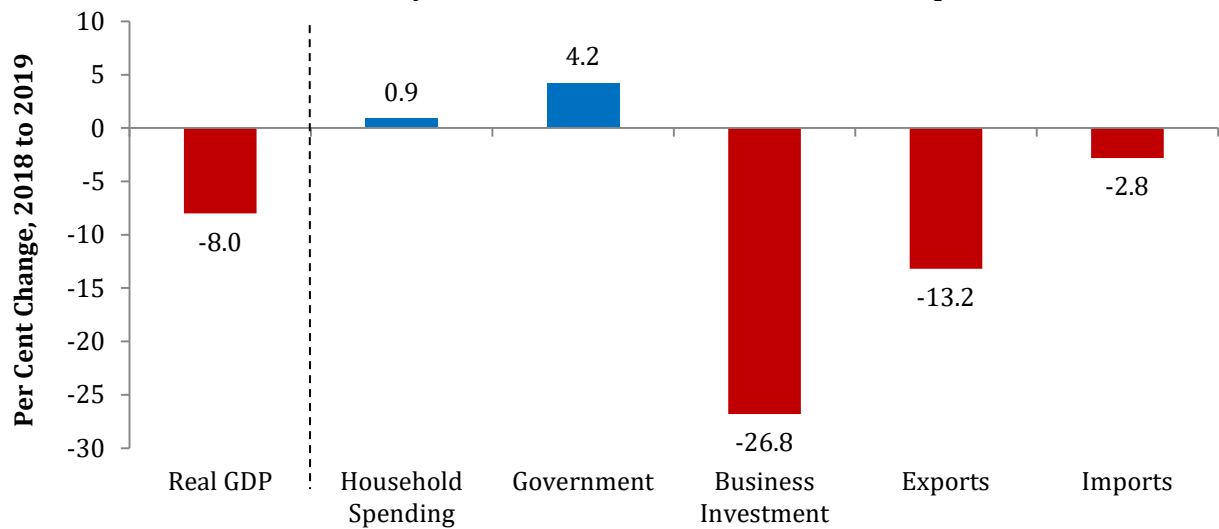
Source: Statistics Canada, NWT Bureau of Statistics, and NWT Finance

Two contributing factors to the low level of resiliency are the economic dependence on the extractive (mainly diamonds) resource industry, and the openness of the NWT economy, with people and capital free to move to other jurisdictions when faced with economic challenges at home. The challenge for the GNWT is to identify and advance investment opportunities that will generate sustainable benefits in the context of the global economic environment in which NWT businesses compete.

The Size and Growth of the Total Economy – *Real GDP*

The NWT economy was eight per cent smaller in 2019 than it was in 2018, reflecting a 27 per cent decline in real business investment, and a 13 per cent decline in real exports. Without small gains in government and household spending, the NWT economy would be even smaller.

The NWT Economy Shrank in 2019 as Investment and Exports Fell

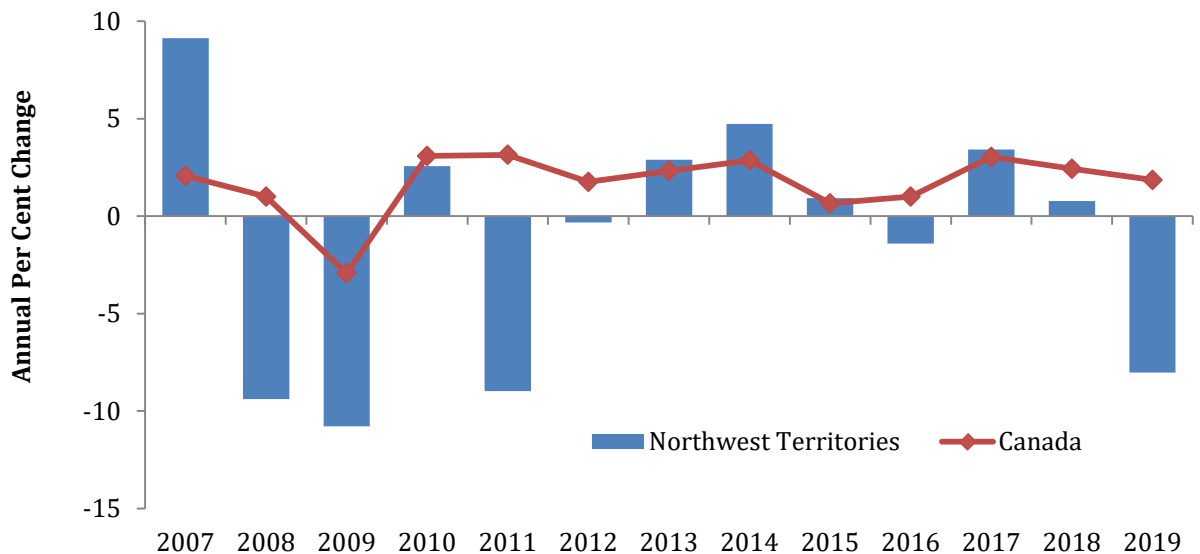


Source: NWT Bureau of Statistics and NWT Finance

The NWT economy shrank in 2019 for the first time in three years, marking the largest decline in real GDP since 2011. The decline followed two consecutive years of weak growth, and marks a sharp contrast to economic growth in the rest of the country. Canada's real GDP increased 1.9 per cent from 2018 to 2019.

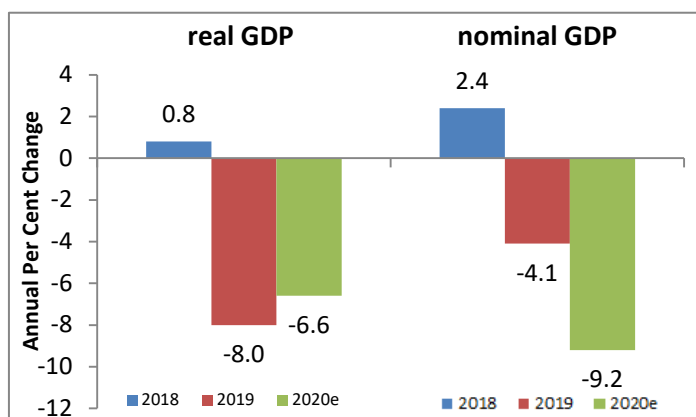
This decline reflects a fall in real exports, driven by a 38 per cent drop in diamond mining, largely due to lower carat production from the Ekati diamond mine in 2019. The decline also reflects a fall in real investment driven by the completion of the Norman Wells pipeline repairs and the Stanton Hospital Renewal Project.

Real GDP Growth - NWT and Canada



Source: NWT Bureau of Statistics, Bank of Canada and NWT Finance

Box 1: Impact of COVID-19 on the NWT Economy



The NWT economy experienced an almost immediate negative impact from the coronavirus pandemic at the start of 2020. The speed of the economic downturn was swift and following these initial shocks in February and March of last year, the NWT economy declined throughout the second quarter of 2020.

As a result of these declines, the NWT economy is estimated to have shrunk by 6.6% from 2019 to 2020, and nominal GDP is estimated to decline by 9.2% over this same period. The decline in nominal GDP is due to a drop in economic activity and a significant decline in consumer and commodity prices.

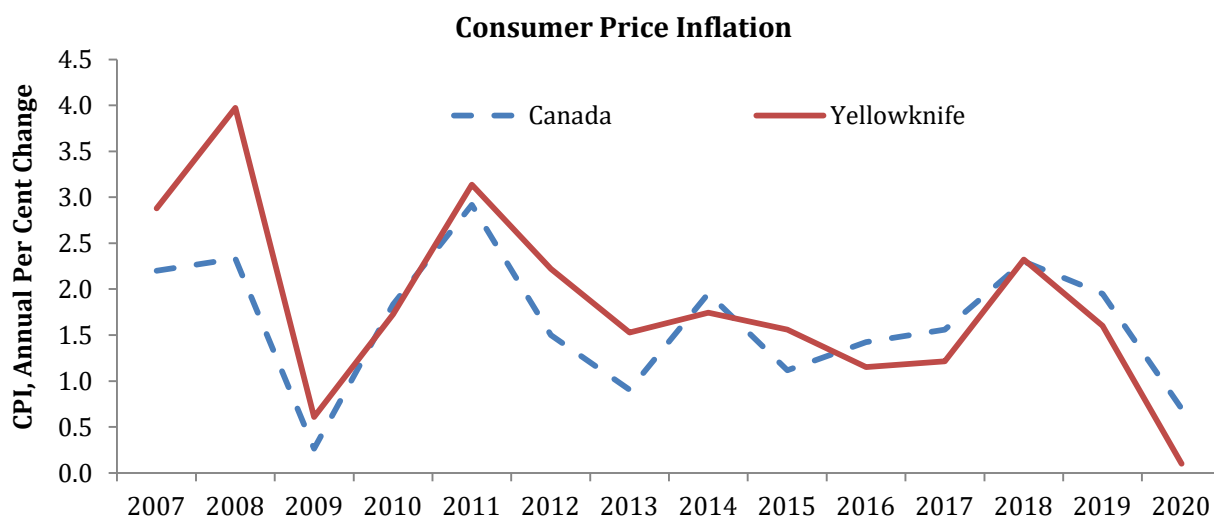
However, not all of the economic decline of 2020 can be explained by the pandemic. The NWT economy has been grappling with pre-existing weaknesses – aging diamond mines, lack of economic diversification, declining employment participation rates – for many years. These pre-existing difficulties in the NWT economy were exacerbated and accelerated by the COVID-19 pandemic.

Productivity – Labour Productivity and Consumer Costs

Productivity is a key performance benchmark for government and economic health. Labour productivity, the most common measure of productivity, measures the efficiency with which labour is used to produce goods and services. In 2019, NWT labour productivity was 7.8 per cent lower than it was in 2018. This is a concern because rising productivity is related to increased profitability, sustained competitiveness, and lower costs.

The costs of living and doing business are high in the NWT relative to other jurisdictions due to remoteness, harsh climate, and a sparsely populated large territory, making inflation (an increase in the overall price level, resulting in reduced purchasing power) a key indicator of quality of life for NWT residents. Inflation, as measured by the Yellowknife Consumer Price Index (CPI), was relatively unchanged from 2019 to 2020, rising by just 0.1 per cent. The Canadian CPI rose by 0.7 per cent over the same period.

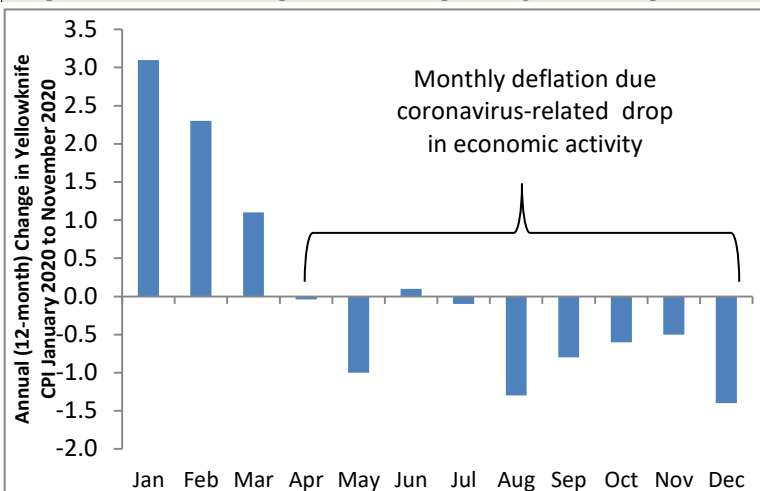
The lack of inflation was due to a 1.4 per cent decline in clothing and footwear prices, a 1.0 per cent decline in household operations and furnishings prices, and a 0.4 per cent decline in health and personal care items, which offset small increases in the other price categories.



Source: Statistics Canada

Box 2 – Consumer Prices during the COVID-19 Pandemic

The COVID-19 pandemic led NWT residents to change their normal spending patterns, as they adapted to staying home, travelling less, and buying more of certain items and fewer of others. Shifts in household spending patterns have implications for the basket weights used to measure consumer price inflation. Statistics Canada has adapted to these changes by developing the adjusted price index in partnership with the Bank of Canada. For example, the importance of air transportation and passenger vehicle purchases was adjusted down, because the demand for travel is low, while the importance of meat and home furnishing purchases were adjusted up, because consumers were spending more on things that can be enjoyed at home.



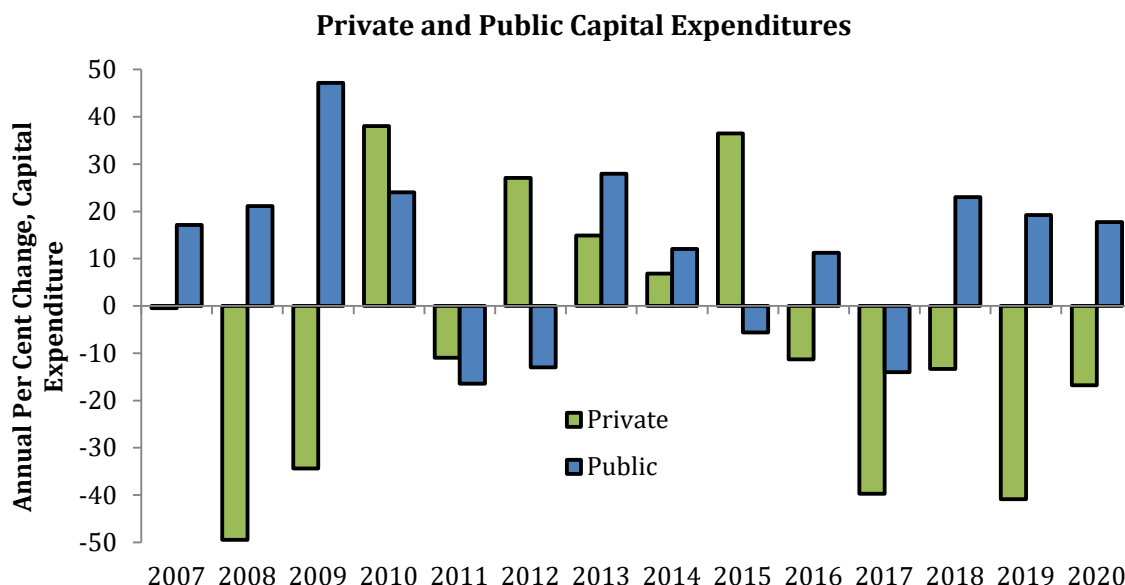
Even with these adjustments, consumer prices still tended to decrease in 2020. For example, the price of air travel declined because airlines offered reduced fees, discounts, and promotions throughout the year as incentives to encourage people to travel. Yellowknife consumer price declined in eight months in 2020.

New Investment – Capital

Expenditures

New investment is a leading indicator of economic growth that measures how well the economy can be expected to perform in the future. New investment was roughly four per cent higher in 2020 than it was in 2019, the first rise in new investment in five years. Business investment (the portion of investment made by the private sector) fell 17 per cent from 2019 to 2020 but this decline was offset by an 18 per cent rise in public (all governments) investment over the same period. Weak business investment, estimated at \$247 million in 2020, reflects a decline in mining capital investment that peaked in 2015 with the construction of the Gahcho Kué diamond mine and has gradually declined as the mine was completed and became operational. No new private sector investment projects of similar magnitude have been announced.

Public sector capital expenditures were estimated to be \$511 million in 2020, reflecting in part construction of the Tlicho All-Season Road. Since 2015, private investment has trended downward, while public investment has trended upward.



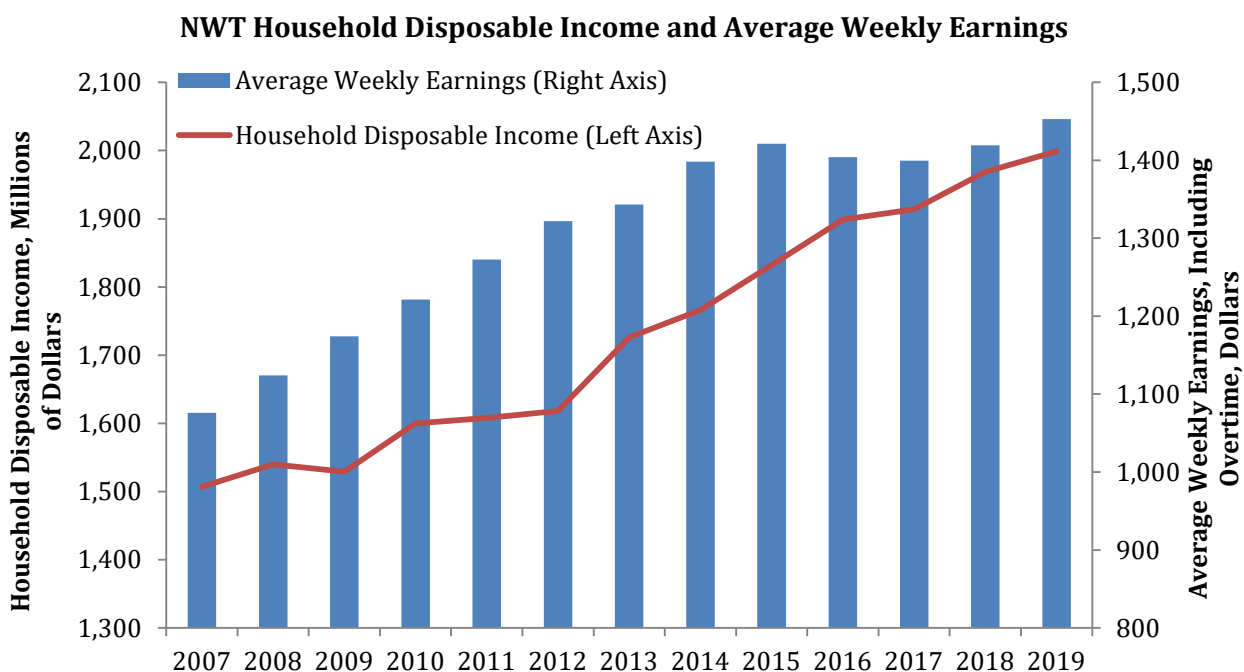
Source: NWT Bureau of Statistics and Statistics Canada

Income – *Employment Income*

Employment income is the largest component of household income from all sources and indicates how well NWT workers are benefitting from economic growth. Overall employment income rose 0.9 per cent between 2018 and 2019 to over \$2.0 billion for all resident households combined. This represented 64 per cent of total household income from all sources, and helped support consumer spending and government tax revenues.

Similar to employment income, personal disposable income (the after-tax income earned by households from all income sources) is an indication of how well employees are benefitting from economic growth. NWT disposable income grew 1.5 per cent from 2018 to 2019 to nearly \$2.0 billion. This helped strengthen household consumer spending, which accounts for almost a third of the territory's GDP, thereby contributing to NWT economic growth.

Average weekly earnings, including overtime, also improved in 2019, increasing 2.4 per cent from \$1,419 in 2018 to \$1,453 in 2019. Wages and salaries earned by employees in the NWT are the highest in the country and well above the national average. The Canadian average weekly earnings, including overtime, was just \$1,028 in 2019, nearly a third lower than the NWT average.



Source: NWT Bureau of Statistics and Statistics Canada

Income – *Average Household Income*

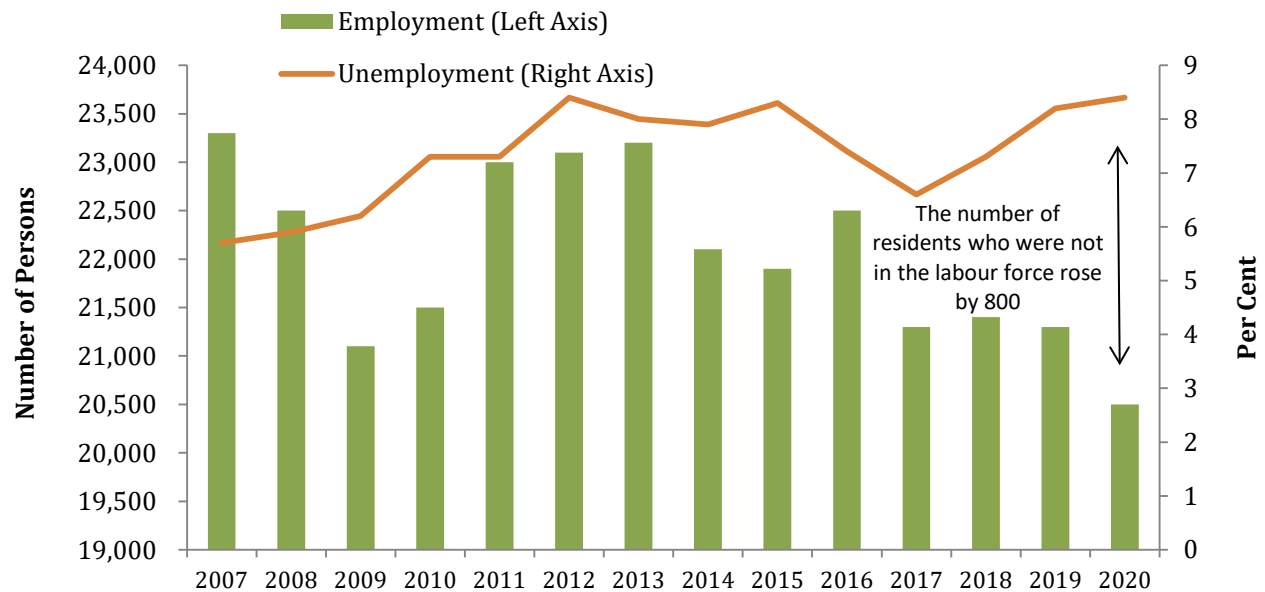
Average household income provides information about the quality of jobs of NWT residents and how much they are benefitting from economic growth. Annual average family income rose 2.0 per cent from \$134,000 in 2017 to \$137,000 in 2018. In 2018 there were 11,470 families in the NWT, according to annual tax data, 24.6 per cent of which were lone-parent families. This is a slight increase from 2017 when 23.7 per cent of families were lone-parent.

Economic Participation – *Employment Rate*

The ability of NWT residents to actively participate in economic growth is key to an equitable and balanced economy. The employment rate (the share of working age residents that are employed) provides insight into the NWT population's ability to take part in the market economy, and to benefit from the production of goods and services. The employment rate also provides some insight into the benefits for communities without mines.

In 2020, the NWT employment rate was 63.1 per cent, nearly three percentage points lower than it was in 2019. The decline is partly the negative effect of the coronavirus pandemic but also a continuation of a steady decline in the employment rate over the past decade. A lower employment rate is concerning as it means fewer working-age residents are able to find work.

NWT Resident Employment Labour Conditions Deteriorating

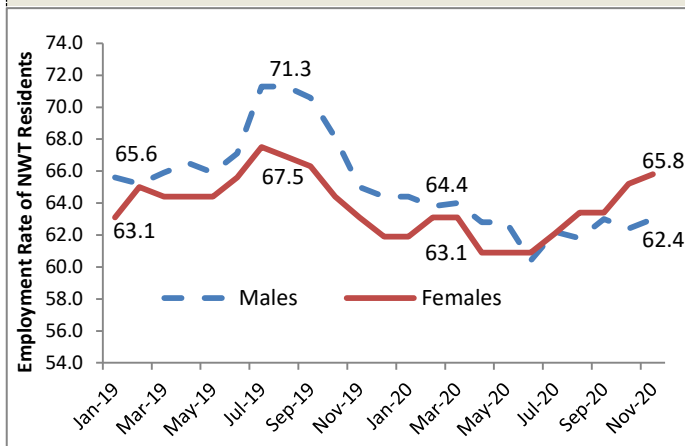


Source: NWT Bureau of Statistics and Statistics Canada

In 2020, NWT resident employment was 20,500, a decrease of 800 persons from 2019 and 2,690 fewer than in 2012 when the employment rate was 71.3 per cent. The unemployment rate also worsened in 2020, rising from 8.2 per cent in 2019 to 8.4 per cent in 2020, a milder rise than expected because the number of residents who chose not to be in the labour force (meaning they were neither employed nor looking for work) rose by 8.7 per cent to 10,000 persons.

Box 3 – COVID-19 Impact on Gender Disparity in Employment

The labour market impact of the coronavirus pandemic has not been evenly distributed across the NWT labour force. Unlike in the rest of Canada, male workers in the NWT lost the majority of NWT jobs. Resident employment reached its lowest point in 2020 in June before starting to recover.

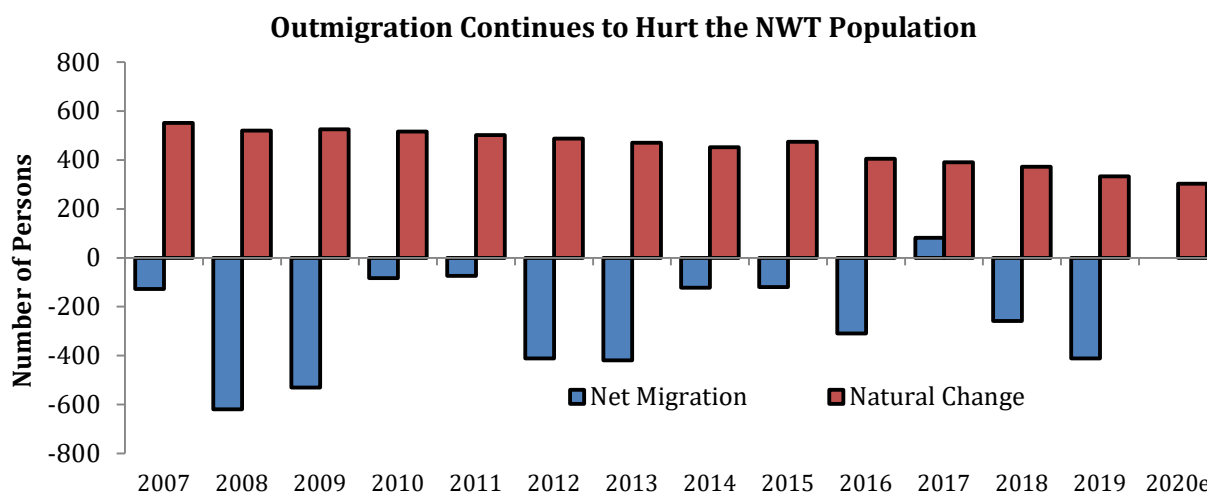


Between January 2020 and June 2020, the share of NWT resident men, 15 years and older, who were employed fell from 64.4 per cent to 60.4 per cent, while the ratio of resident women who were employed fell from 61.9 per cent to 60.9 per cent.

June marked the first time the male employment rate was *lower* than the female employment rate. Since June, the female-male employment rate gap has increased with the female employment rate rising to 65.8 per cent by November 2020, while the male employment rate rose to just 63.0 per cent.

Population Growth – *Population*

Population growth is a strong indicator of economic health. By providing labour for NWT businesses, demand for local goods and services, and revenues for personal income and consumption taxes, population growth helps support economic activity and sustainable government services. The NWT's population has been relatively stable over the past decade. The 2020 NWT population was estimated to be 45,161 people, an increase of 133 persons from 2019.



e: estimate

Source: NWT Bureau of Statistics

The population increase last year was entirely due to an increase in births. Between July 1, 2019 and July 1, 2020, there were 576 births and 247 deaths in the NWT, resulting in a net natural population increase of 329 persons. This gain outpaced a rise in outmigration. Between July 1, 2019 and July 1, 2020 interprovincial migration resulted in a net loss of 309 persons, as 1,930 persons moved into the NWT from the rest of Canada and 2,239 persons moved away.

The population grows in response to economic growth and provides a base for further growth through diversification. People tend to migrate to the NWT when the economy is doing well relative to other jurisdictions and are more likely to move away when the economy is doing poorly.

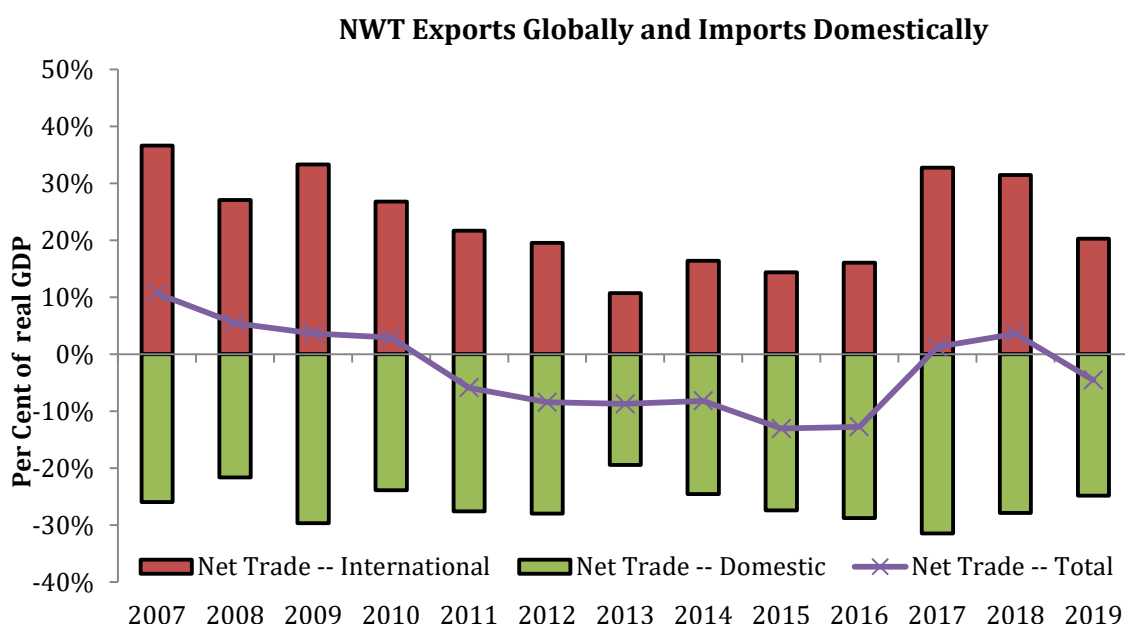
Strength of Economic Linkages – *Imports*

Economic linkages are the connections and dependencies of NWT industries within and outside the territory. Developing links between markets, regions, countries, and sectors is crucial to developing a diversified and balanced NWT domestic economy.

The small, open NWT economy depends on trade linkages with other jurisdictions. The NWT exports natural resources (mainly diamonds) to global markets, and imports goods and services from southern Canada to support industry and personal consumption. As a result, the NWT has a trade surplus with other countries, but a trade deficit with the rest of Canada.

The NWT trade surplus with other countries decreased from 32 per cent of real (inflation-adjusted) GDP in 2018 to 20 per cent in 2019. This deterioration was attributed to a 22 per cent decline in the real value of exports to other countries that more than offset a 5.6 per cent decrease in the real value of imports from other countries. Diamonds represent 98 per cent of the value of all exports flowing from the NWT to global markets.

The NWT trade deficit with the rest of Canada improved to 25 per cent of real GDP in 2019 due to a 14 per cent rise in the real value of exports to other provinces and a corresponding 1.1 per cent decline in the real value of imports from other provinces.



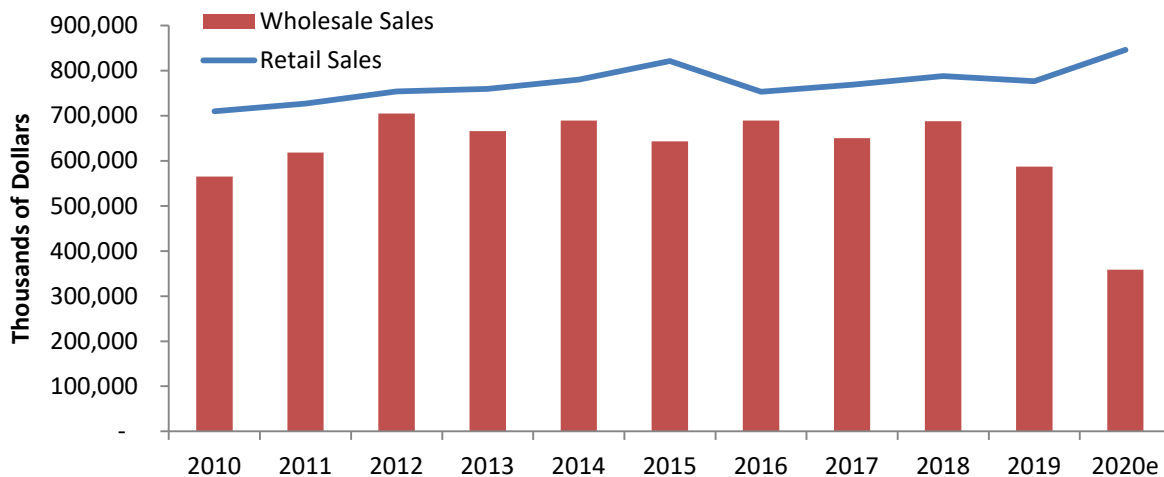
Source: Statistics Canada and NWT Finance

Strength of Economic Linkages – *Retail and Wholesale Trade*

Wholesale trade is an indicator of production level linkages, where producers purchase goods from NWT suppliers or post-production services such as transportation and communications services from NWT companies. Retail sales are an indicator of final demand linkages that support higher construction and transportation activity and create opportunities for increased retail business. Together with wholesale trade, retail sales contribute to domestic trade within the NWT. This makes retail sales, and domestic trade more broadly, key to the health of the economy.

Nominal wholesale trade sales have fluctuated around \$670 million over the past several years. However, wholesale trade sales fell 14.7 per cent to \$587 million in 2019, mainly due to a decline in diamond mining. Wholesale trade is estimated to have declined by nearly 39.6 per cent in 2020 compared to 2019, largely due to the negative effect of the pandemic on the diamond industry.

Retail Trade and Wholesale Trade Moving in Opposite Directions



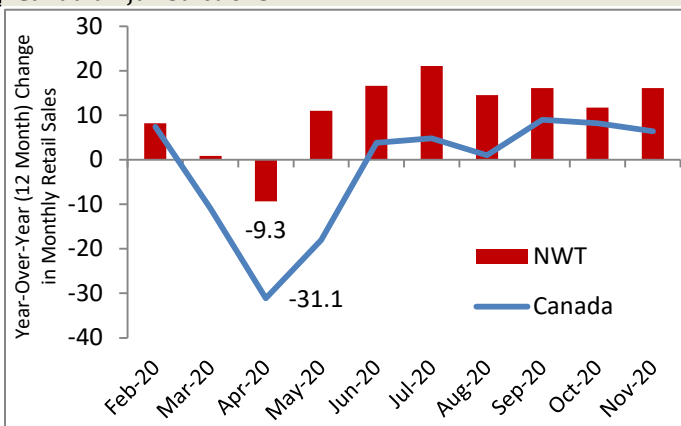
e: estimate

Source: NWT Bureau of Statistics and NWT Finance

Retail trade sales dipped by 1.4 per cent in 2019 to \$777 million, marking the second annual decline in retail sales in the past decade. However, retail sales performed strongly in 2020 despite, or possibly because of, the coronavirus pandemic. Retail trade is estimated to have grown 9.5 per cent from 2019 to 2020, as many NWT businesses pivoted to online sales, takeout, and curbside pickup.

Box 4 – NWT Retail Sales Strong During the COVID-19 Pandemic

Despite the severity of the economic downturn in 2020, retail sales remained strong in the NWT compared to other Canadian jurisdictions.



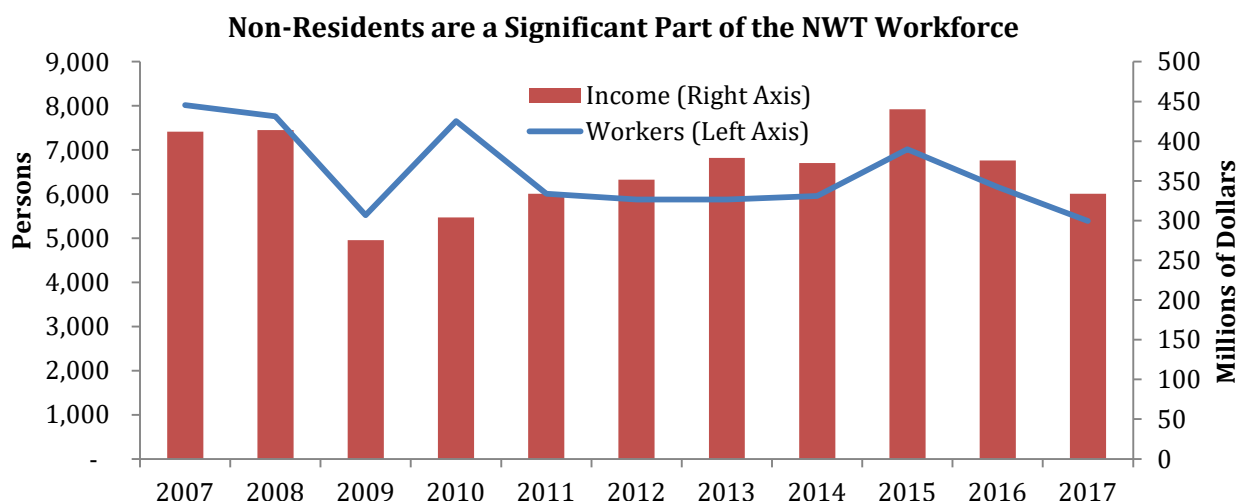
Nationally, retail sales fell by 31 per cent at the start of the pandemic and have struggled to regain losses. By contrast, NWT retail sales declined 9 per cent and have recovered to above pre-pandemic levels.

The main reasons for the strong retail trade were: innovation by NWT business to create new markets and new delivery methods; and the NWT's large public sector, which acted as a stabilizer in the economy, providing continued demand for local goods and services and sustained wages of government employees to support consumer spending at NWT businesses.

Strength of Economic Linkages – *Fly-in/Fly-out, Non-Resident Workers*

The NWT has a significant non-resident work force. This is largely due to the small size of the NWT population and reflects the employment needs of the NWT economy that cannot be met by the domestic workforce, most commonly in the NWT's mining industry. Non-resident workers provide skills needed by NWT businesses but this reliance on out-of-territory workers means lost NWT business from consumer spending and lost revenue for the GNWT.

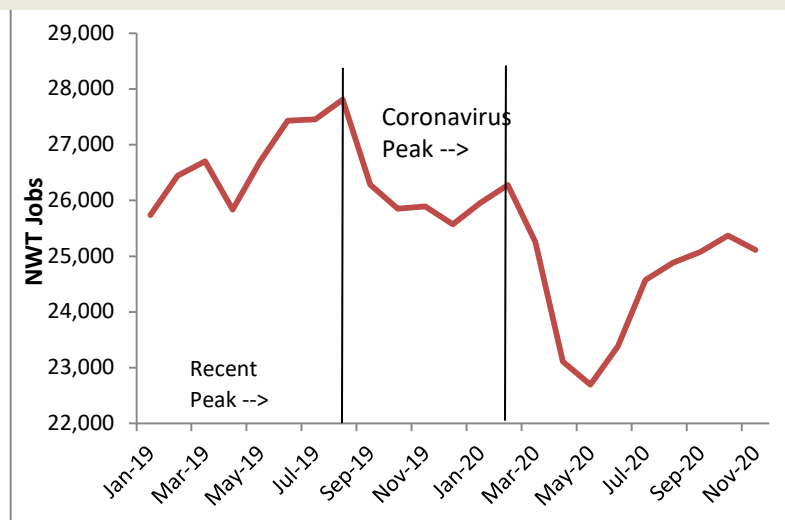
Between 2007 and 2017, non-resident workers were about one-third of the NWT workforce, which represented close to one-fifth cent of all employment income generated in the territory.



Source: Statistics Canada and NWT Finance

Each year 5,500 to 8,500 non-residents fill jobs in the NWT. These jobs include seasonal, rotational, temporary and special projects that fill gaps that are not met by the resident workforce. Total aggregate earnings paid to non-resident workers from these jobs ranged from \$178 million and \$439 million between 2007 and 2017. This employment income generated in the NWT represents lost income that could have been spent in the NWT economy.

Box 5 – COVID-19 Impact on Jobs



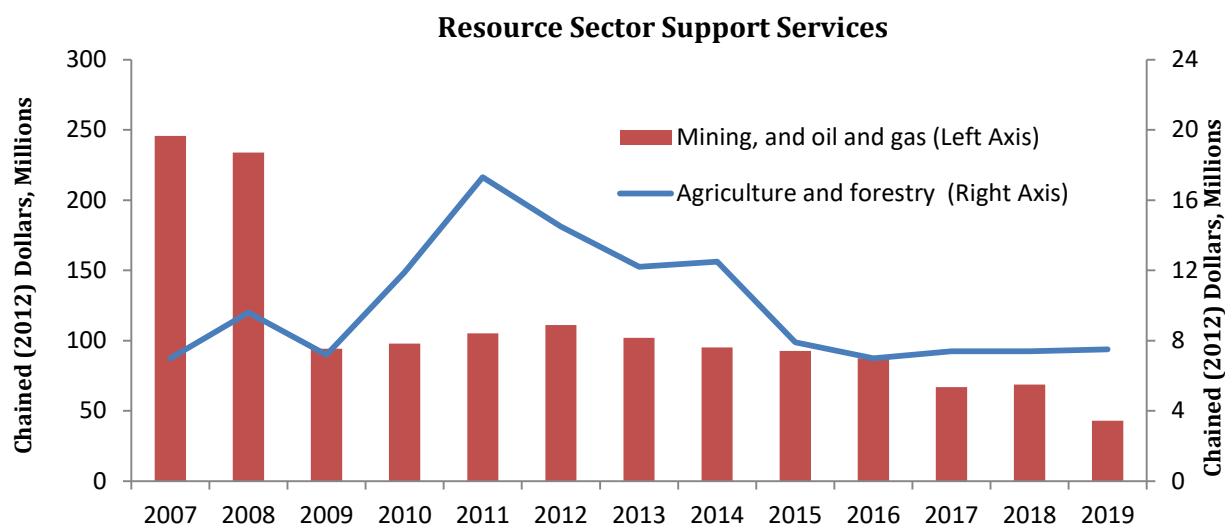
In the first quarter of 2020, NWT jobs were rising from the seasonal lows at the start of the year. The COVID-19 pandemic halted and reversed this increase.

NWT jobs fell 15% from February 2020, just before the COVID pandemic health restrictions started in Canada, to May 2020 and fell 16% from May 2019 to May 2020. Non-residents were the majority of NWT job losses.

Jobs have since started to recover and as of November 2020 had recovered over 95% of job losses.

Strength of Economic Linkages – *Resource Sector Support Services*

Industries that provide services and support to the natural resource sector are key drivers of growth and diversification in the NWT economy. They provide specialized services for both the renewable and non-renewable resource sectors of the NWT.



Source: Statistics Canada and NWT Finance

The real value of mining sector support services decreased 36.9 per cent to \$40.3 million from 2018 to 2019, reflecting a slowdown in diamond mining. The real value of oil and gas support services fell 52.4 per cent from \$2.1 million in 2018 to \$1.0 million in 2019.

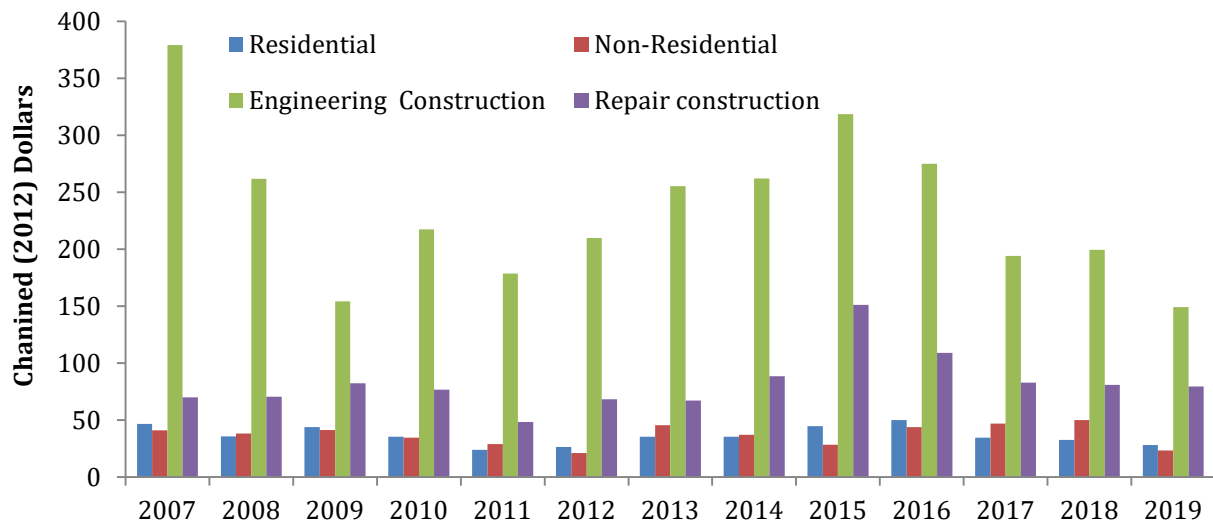
The real value of support services for renewable resource industries rose 1.4 per cent between 2018 and 2019 to \$7.5 million. These support services include activities such as harvesting timber and growing crops. Although the farming and forestry sector accounts for less than one per cent of NWT real GDP, it is promoted as a growth sector that will support food security and sustainable economic diversity.

Strength of Economic Linkages – *Construction*

The construction sector includes residential construction, non-residential construction, engineering services, and repair construction and support activities. Due to the heavy reliance on the extractive resource sector, the NWT engineering construction industry accounts for half of all construction activity in the territory. Residential construction was only 9.8 per cent of real construction expenditure in 2019. On average in other Canadian provinces and territories residential construction is over one-third of construction expenditures.

Overall construction activity declined 21.4 per cent from 2018 to 2019, reflecting declines in all construction industry activities but mainly due to the 25.5 per cent decrease in engineering construction.

Engineering Construction Dominates Construction Activity



Source: Statistics Canada

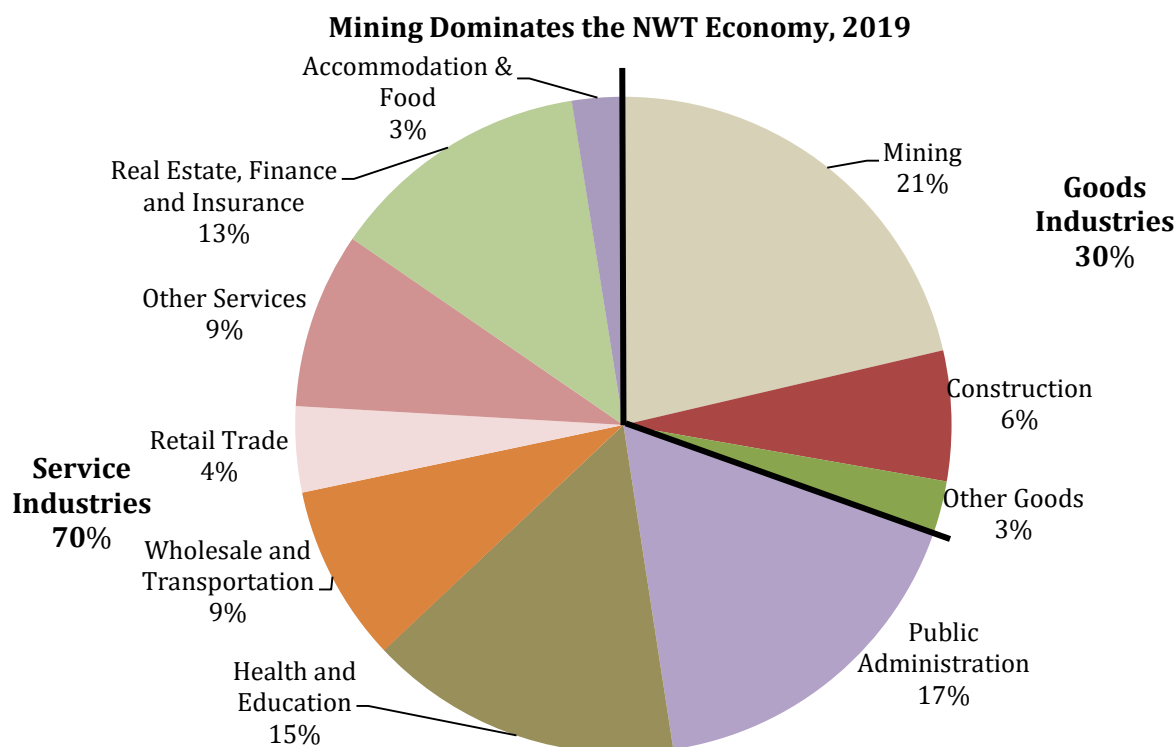
Diversification – *Real GDP by Industry*

Economic diversity provides for stable and balanced growth by spreading risk more evenly across a number of sectors. This makes the economy more resilient to business cycles and external shocks, and acts as insurance that reduces the sensitivity of the economy to the ups and downs associated with any single industry, market, or region. For example, more diversified economies experience lower unemployment during cyclical economic downturns (recessions) than do economies which are heavily concentrated in a single industry or sector. The NWT economy, however, is not diversified and instead relies heavily on the public sector and the extractive, non-renewable resource sector.

The goods-producing sector accounted for 30 per cent of NWT GDP in 2019, with the mining, oil, and gas extraction industry the largest single industry, accounting for roughly one-fifth of NWT GDP. While the share of the economy directly generated by the mining, oil and gas sector has declined from close to half of all economic activity a decade ago, it remains the dominant industry in the NWT economy, demonstrating a lack of economic diversity. Construction is the second biggest industry in the goods-producing sector, accounting for 6 per cent of NWT GDP in 2019. The remainder of the goods-producing sector accounted for just 3 per cent of GDP and was comprised of renewable resources, utilities, and manufacturing industries.

The NWT is steadily shifting towards a services-based economy. The combined services-producing industries accounted for 70 per cent of NWT GDP in 2019, compared to 48 per cent a decade ago. Public sector activities dominate this sector, with public administration, education, health and social services accounting for 32 per cent of NWT GDP in 2019. The remainder of the services sector is comprised of industries such as wholesalers, retailers, banks, hotels, and tour operators.

While the NWT economy has not diversified away from an outsized reliance on mining, the structure of the economy has changed. In 2007, the goods-producing sector accounted for 51 per cent of the NWT economy, but by 2019 that share had shrunk to 30 per cent. This re-structuring is mainly due to declines in the NWT resource sector.

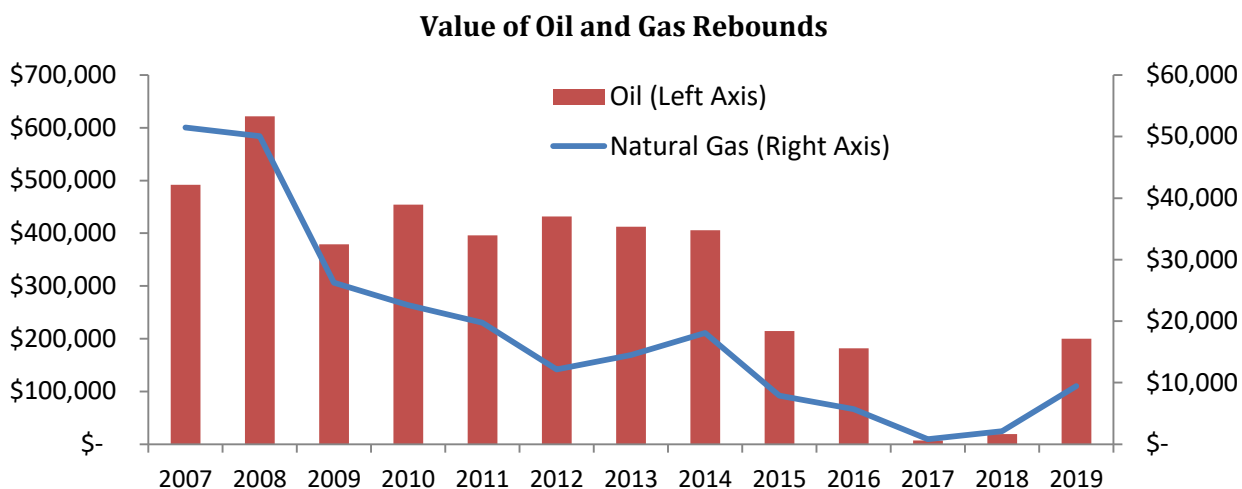


Source: Statistics Canada and NWT Finance

Diversification – Mining, Oil and Gas

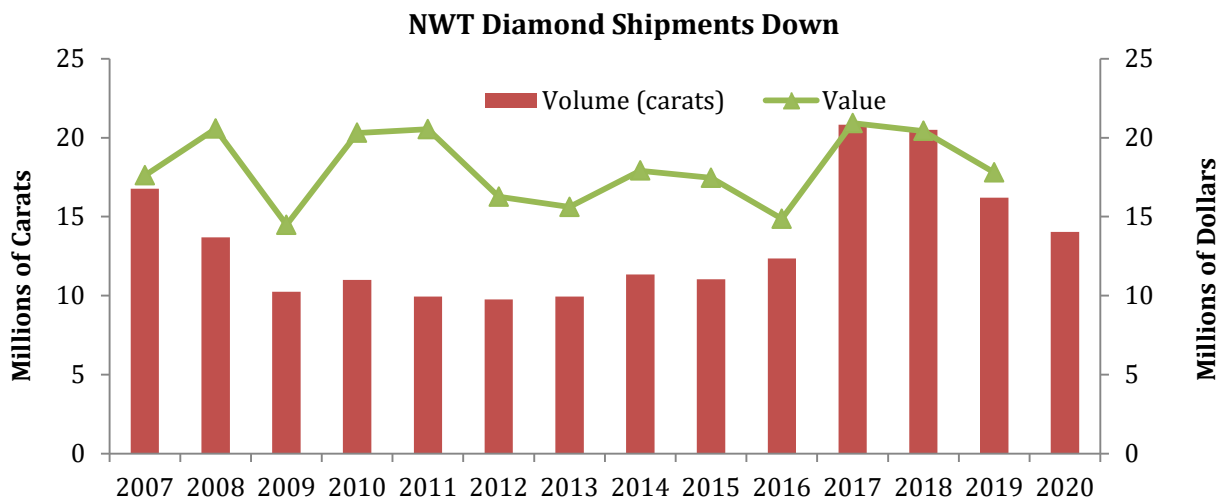
The mining, oil and gas sector directly accounts for 21 per cent of real GDP.

The restart of the pipeline service at Norman Wells in September 2018 caused oil production to rebound in 2019, rising from 17 million cubic metres in 2017 when the pipeline was shut down, to 435 million cubic metres in 2019. However, oil production remains well below what it once was. Similarly, natural gas production rebounded in 2019, rising from production lows in 2017.



Source: NWT Bureau of Statistics and NWT Finance

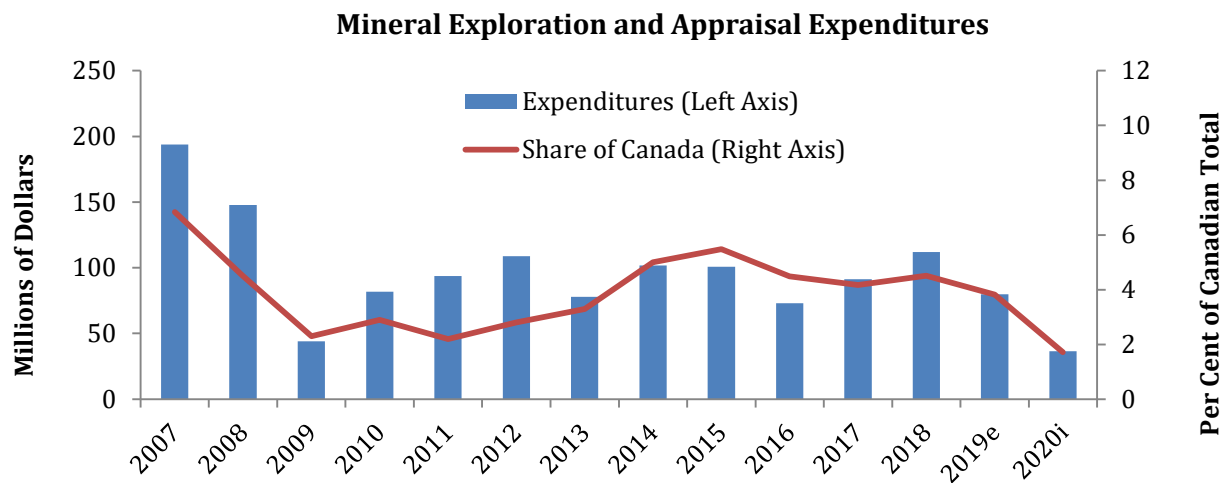
Carat production at the three NWT diamond mines (Ekati, Diavik and Gahcho Kué) rose 68.7 per cent in 2017 as Gahcho Kué production started. The value of diamond shipments increased 38.6 per cent from 2016 to \$20.6 billion in 2017 and this level was maintained in 2018. However, diamond production declined 21 per cent to 16.2 million carats in 2019. Diamond production is estimated to have decreased 13.4 per cent from 2019 to 2020 because of weak consumer demand, global diamond pipeline interruptions due to the pandemic, and a ten-month shutdown of the Ekati diamond mine that began in mid-March 2020. Ekati resumed production in January 2021.



Note: Value data unavailable for 2020.

Source: NWT Bureau of Statistics and NWT Finance

NWT mineral exploration and deposit appraisal expenditures have declined, decreasing from \$112 million in 2018 to an estimated \$79.8 million in 2019 and intentions are \$36.6 million in 2020. While in past years roughly half of all NWT exploration and appraisal expenditures have been on diamonds, in 2020 diamonds will account for less than one fifth of spending intentions. The NWT exploration and appraisal expenditures share of the Canadian total is declining over time: from 5.5 per cent in 2015, 4.5 per cent in 2018 to 1.7 per cent in 2020.



e: estimate; i: intentions

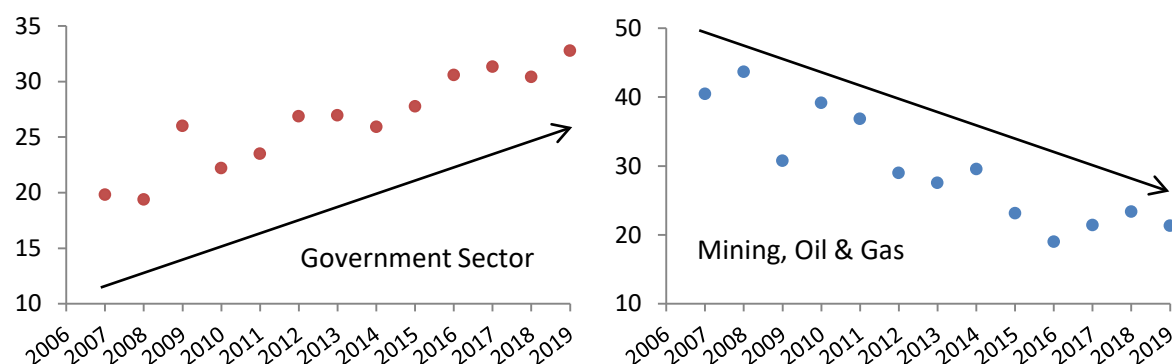
Source: Natural Resources Canada

Diversification – *Public Administration*

Public administration at all levels of government (federal, territorial, municipal, and Indigenous) is the second largest industry in the NWT, accounting for 17 per cent of GDP and contributing significantly to jobs and income creation. NWT public administration includes courts, policing, corrections services, firefighting services, defence, and government administrative work but excludes the health, social services and education sectors.

In total, public administration expenditures in real (inflation-adjusted) terms rose 1.5 per cent from 2018 to 2019, but municipal government expenditures decreased 0.7 per cent. The rise in public administration expenditures corresponds with a more general shift in the structure of the NWT economy away from mining, oil and gas towards government sector industries (public administration and education, health care and social services). Government industries' share of real GDP has increased from one-fifth of real GDP a decade ago to nearly one-third of real GDP in 2019.

As Mining Declines, the NWT Economy is Increasingly Driven by Government



Source: Statistics Canada and NWT Finance

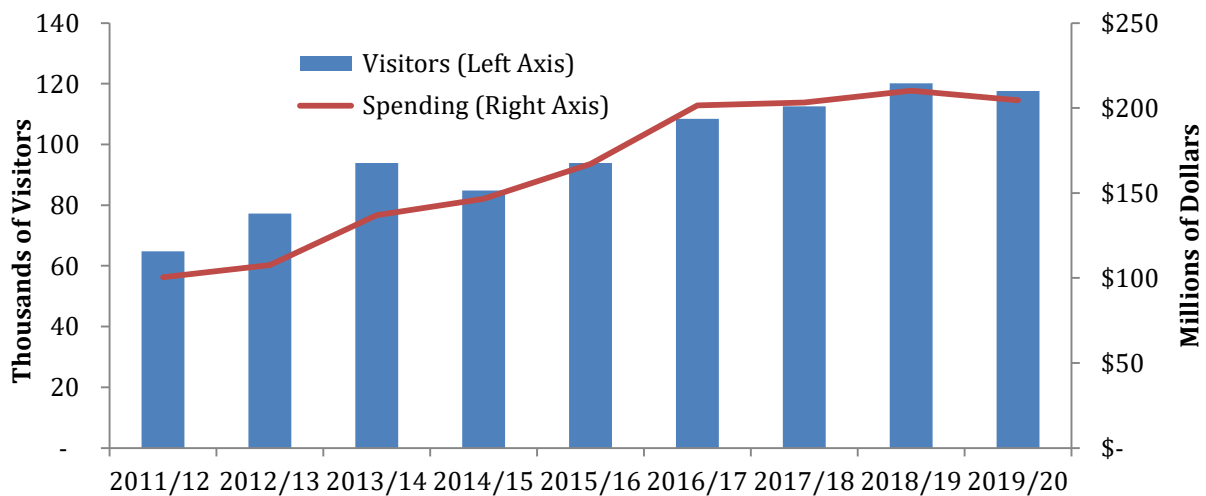
Diversification – *Tourism, Trapping and Fisheries*

Tourism is not formally defined as an industry in NWT GDP data. However, tourism has direct implications for measured components of GDP such as transportation, travel services, accommodations, food and beverage retailers. In aggregate, the tourism sector contributes only a small portion to the territory's GDP and employs a small number of residents, often on a seasonal basis. However, tourism is a growth sector with potential to diversify the economy and to also inject private-sector employment opportunities into the smaller communities, especially those that are outside Yellowknife and where populations are majority-Indigenous.

Between April 2019 and March 2020, the number of visitors to the NWT decreased 2.1 per cent from 120,130 to 117,620. Over this same period, visitor expenditures fell by 2.7 per cent, decreasing from \$210 million to \$205 million. Both declines were primarily caused by less aurora viewing tourists at the start of 2020, which coincides with the start of the global coronavirus pandemic. An 11.7 per cent decline in aurora tourism spending between 2018-19 and 2019-20 more than offset a 4.6 per cent rise spending by non-aurora leisure tourists.

Border closures, lockdowns, and other public health measures in many countries throughout 2020 and into 2021 have hurt the 2020-21 NWT tourism season even further.

NWT Tourism, Number of Visitors and Expenditures

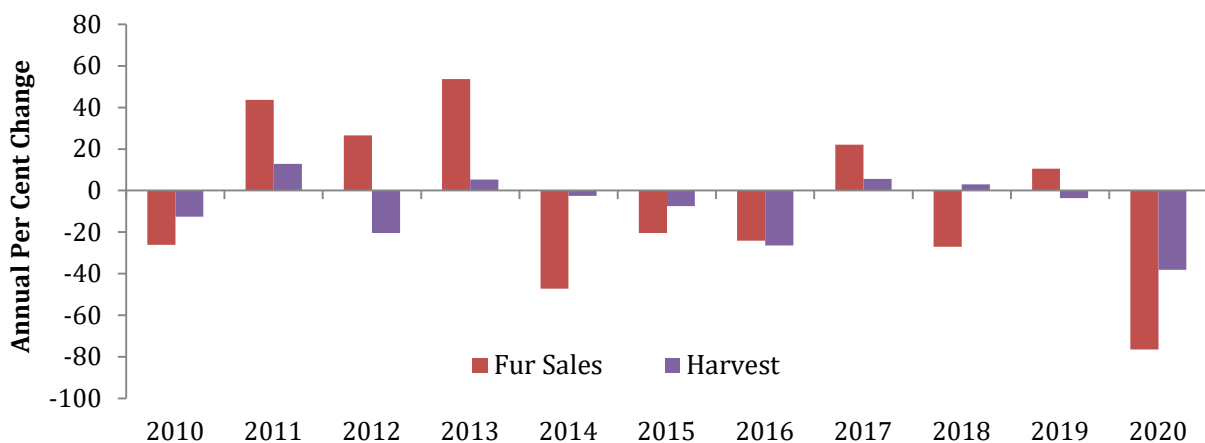


Source: Department of Industry, Trade and Investment

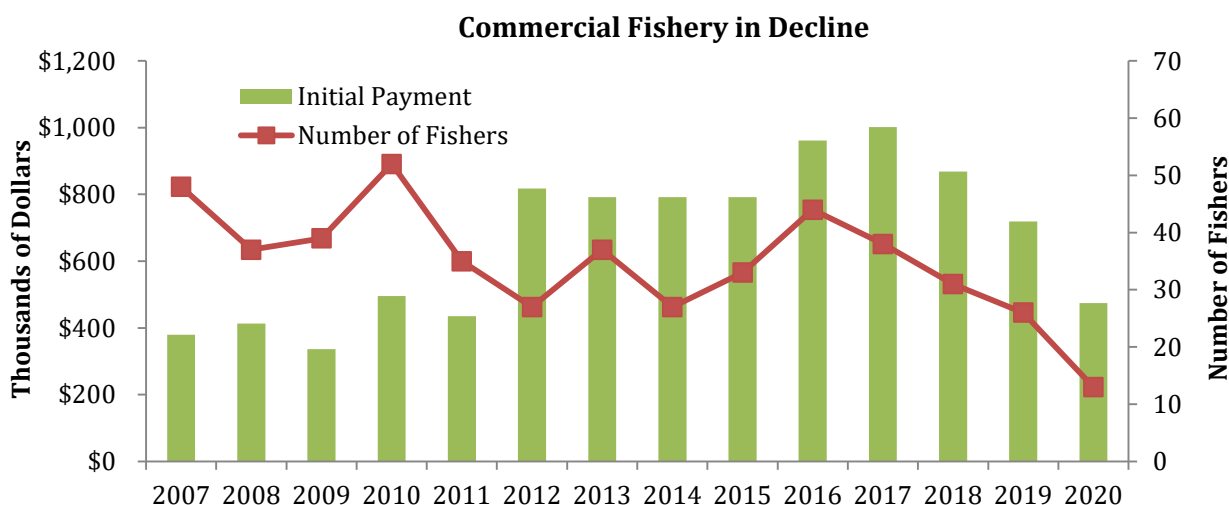
Trapping is a component of the renewable resource sector, and while a small contributor to the overall NWT economy, it is a sector that is important to many NWT residents for food and clothing as well as incomes, especially in smaller communities.

The global coronavirus pandemic had a significant, negative impact on the fur trade. Border closures and travel restrictions in many countries meant that fur auctions last year were held online rather than in person. For a luxury goods industry, the lack of in person international buyers meant a steep decline in sales. For the year ended June 30, 2020, roughly 1,200 NWT pelts were sold, a decrease of 38 per cent from the previous year, while the value of fur sales fell by 79 per cent to just \$172,700. The number of commercial trappers in the NWT declined only slightly from 600 in 2019 to 579 in 2020.

Number and Value of NWT Fur Pelts Down



Source: NWT Industry, Trade and Investment and NWT Finance



Source: Freshwater Fish Marketing Corporation

The commercial fishery in the NWT is small, and shrinking. Initial payments to NWT fishers – an on delivery point, net-of-freight basis – fell by 34 per cent in 2020, declining from \$719,000 in 2019 to \$475,000, and the number of active commercial fishers halved from 26 in 2019 to just 13 in 2020. This was partly due to the coronavirus pandemic, which disrupted trade and depressed demand.

Despite three consecutive years of decline, commercial fishing presents an opportunity for NWT economic diversification and regional employment because fish are an abundant, renewable resource. With the completion of the fish plant in Hay River, and an expected increase in post-pandemic demand, the NWT commercial fishery is expected to grow.

ECONOMIC OUTLOOK

Although economic activity is expected to recover from lows in 2020, the NWT economy is projected to remain smaller in 2021 than it was in 2019 and the economy faces the same risks and challenges as before the severe disruption caused by the coronavirus pandemic.

Long-term challenges such as maturing diamond mines, an aging population, a lack of economic diversification and declining private-sector activity will depress future growth unless there are substantial structural changes. Most pressing of these long-term challenges is that the diamond mining industry, which has been the engine of the NWT private sector economy for the last two decades, may see all existing NWT diamond mines close by 2030. The closure of the diamond mines may lead to a large drop in future economic output since at this time, there are no other projects on the horizon large enough to fill this gap.

Near-term challenges stemming from the economic downturn triggered by the global pandemic will also put a drag on growth. Although the NWT is rebounding solidly, the recovery has been uneven across sectors, industries, and demographics. Industries such as local retail, construction, and public administration have all returned to pre-pandemic levels, while hard-hit sectors such as tourism, hospitality, mining, and wholesale trade continue to struggle. The recovery in the NWT labour market has also been uneven. Although in aggregate nearly all NWT jobs lost during the pandemic have been recovered, jobs in specific industries, such as accommodation, food services, wholesale trade and

transportation, remain depressed. Employment rates for female workers are recovering at a faster pace than for males, and the quality of jobs may have deteriorated during the pandemic as the share of part-time and reduced-hours employment is increasing compared to full-time employment. These disparities may take many years to close, and could delay the recovery and hinder growth.

These near-term and long-term challenges have resulted in lower economic output in the NWT. The NWT economy shrank 8.0 per cent in 2019 compared to 2018, and is estimated to have decreased by a further 6.6 per cent in 2020 compared to 2019. Last year's decline was largely due to a steep drop in diamond production resulting from the temporary shutdown of the Ekati diamond mine, which dragged down NWT exports by an estimated 17.1 per cent, and contributed to a 3.8 per cent decrease in resident employment. Total investment also fell last year by an estimated 4.4 per cent to its lowest level on record. This year, real GDP is forecast to rebound by 5.8 per cent compared to 2020, as the Ekati diamond mine resumes production, causing a projected 10.1 per cent rise in NWT exports. As recovery takes hold in 2021, total investments are forecast to grow by 1.9 per cent and household spending is projected to increase by 1.4 per cent.

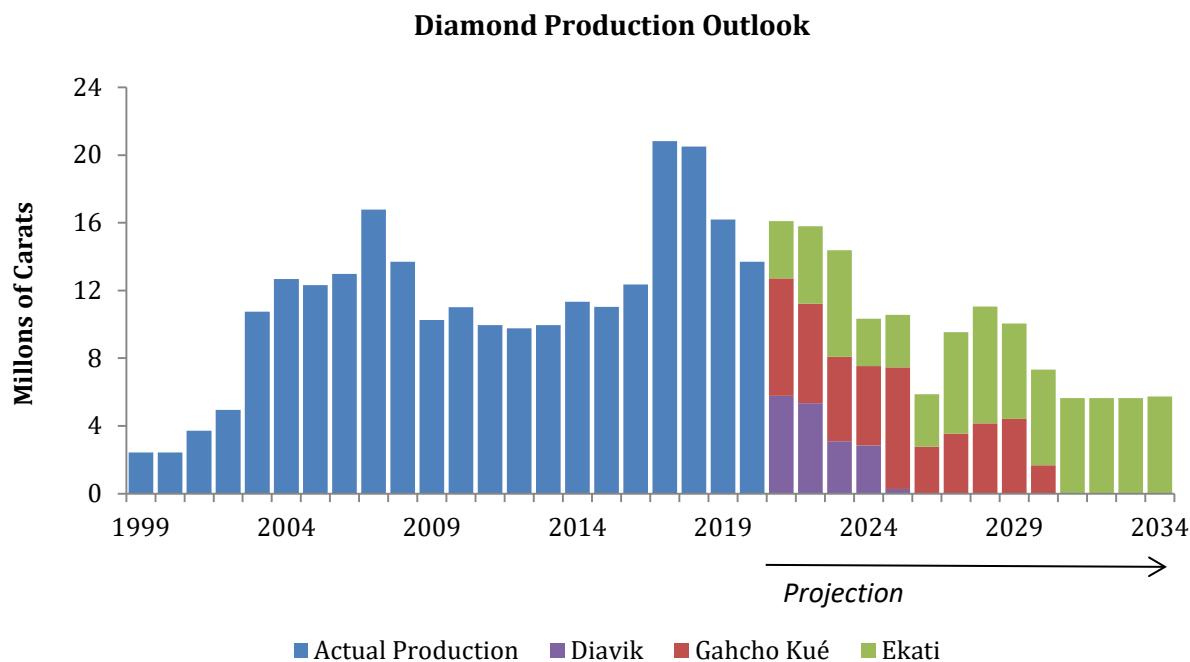
Despite this strong growth forecast, real GDP will remain lower in 2021 than it was in 2019, as will total investment, exports and imports. While economic growth will return to the NWT this year, the outlook is uncertain. Long-term, structural challenges must not be downplayed, and risks to the economic recovery must be clearly understood. In the near-term, risks to economic growth include a re-emergence of coronavirus in the territory that would force renewed and more stringent public health measures, thereby halting the economic recovery; continued coronavirus outbreaks worldwide, which would cause further global economic uncertainty, continued disruptions to global supply chains and a decreased demand for NWT exports; and increased household and business debt that could dampen future consumer demand, local spending, and business investment. A failure to prepare for inevitable structural shifts to the NWT economy, as significant tourism is unlikely to return in the near term and the remaining diamond mines close within the next decade, also poses a risk.

Another risk to the outlook is the removal of government support programs before the economic recovery has fully taken hold. Government expenditures rose by an estimated 6.2 per cent in 2020, helping to offset declines in exports and investment. The role government can play in supporting targeted economic growth should not be underestimated. Government spending at the federal and territorial levels on direct financing to businesses and individuals; investments in infrastructure such as roads, hospitals, and schools; health and social programs for communities; and goods and services purchased from local retailers and wholesalers provide stability to the economy by helping to sustain the economic recovery. Government spending also helps support wages, household consumption and local business sales, thereby contributing to higher standards of living for Northerners.

Risks to the Outlook – *Diamond Mine Plans*

The NWT economic outlook is based on future mineral development and the opening of new mines. Diamond mining drives the NWT economy but mine plans for currently producing mines, and those expected to be submitted for environmental review and permitting, are all set to end production by 2034. Diavik diamond mine is scheduled to close first in 2025, followed by Gahcho Kué in 2028. The Ekati mine resumed production in January 2021 and could operate until 2042 if the Jay and Fox Deep kimberlite expansions go ahead. However, Ekati diamond mine faced considerable financial and production difficulties in 2020 and these difficulties remain a concern.

Expansion of the mining industry depends on successful exploration programs to identify potential new mine projects, as well as the deposit appraisal and environmental review process to identify which potential new mine projects can be developed.



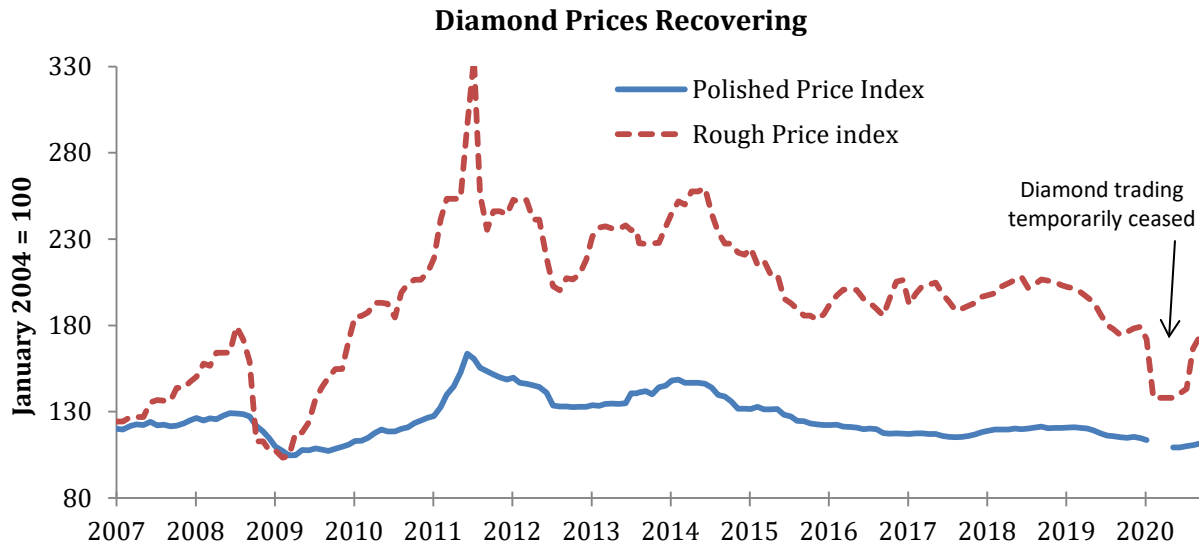
Note: Projection numbers are subject to change based on mine plan revisions by the private mining companies.
Source: Natural Resources Canada, mining plans and technical reports, NWT Finance

Risks to the Outlook – *Prices and Currencies*

The decision to construct new mines depends on a range of economic and financial factors, including global capital credit conditions, currencies, and prices.

Indexed diamond prices for polished stones decreased 5.7 per cent from 2019 to 2020, while indexed prices for rough stone fell 19.0 per cent. This caused the price spread between rough and polished stones to narrow significantly. NWT diamond mines produce rough diamonds, exporting them to manufacturers who cut and polish the stones, and so the spread between rough and polished diamonds is a key risk to the NWT economic outlook.

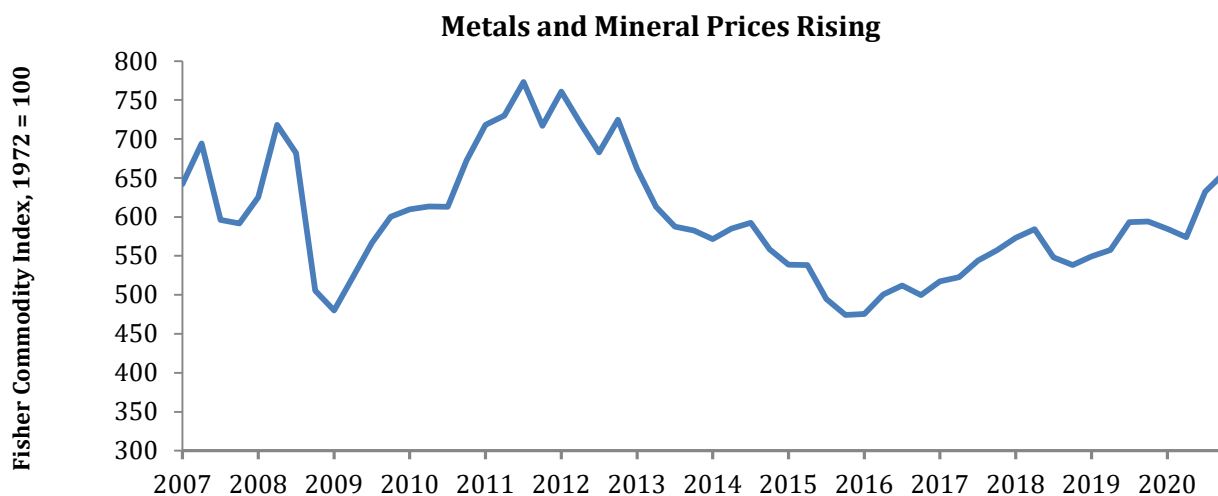
The global diamond production pipeline was severely, negatively affected by the coronavirus pandemic, causing many polishers and manufacturers to temporarily close amidst global lockdowns, border closures, and strict public health measures in many countries. The disruption to global economies also saw demand for luxury goods like diamonds to decline. As a result, diamond trading, auctions, and sales ceased for several months in 2020. Trade has resumed and prices, especially for rough stones, have recovered. However, continued economic slowdowns in many countries suggest that diamond prices and demand will remain depressed.



Source: PolishedPrices.com and WWT Overall Rough Diamonds

Commodity price changes have implications for the NWT economic outlook over the long term. Exploration and development expenditures by the mining industry are driven by the expected value of future mine projects; these in turn are driven by the expected price of the mineral or metal to be mined.

Global prices for resource commodities, including many metals and minerals found in the NWT, rose through 2020 after a weak start to the year, consolidating the price gains of previous years. These gains come in the midst of continued declines in global growth as most countries deal with ongoing coronavirus outbreaks. However, as a global recovery takes hold through 2021, prices for most metals and minerals are expected to increase, which may lead to growth in mineral exploration and mine development in the territory.



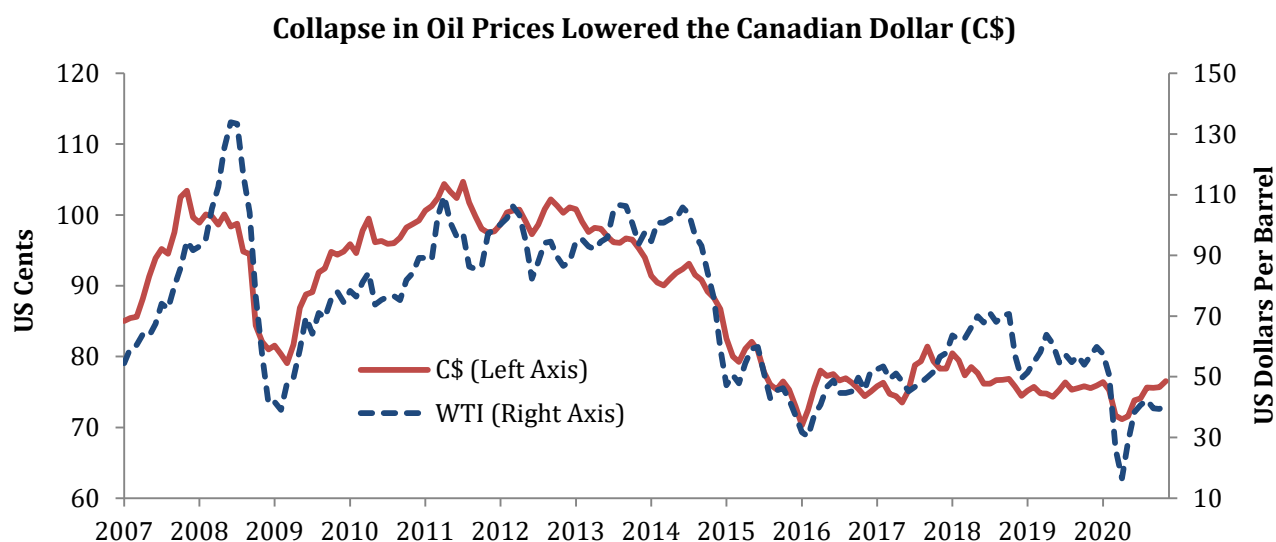
Source: Bank of Canada

The NWT exports a small amount of oil to international markets. International oil prices therefore have implications for NWT trade and oil exploration, especially in the Sahtu and Beaufort-Delta regions. The benchmark West Texas Intermediate (WTI) crude oil price collapsed in 2020 as the global coronavirus pandemic forced large swaths of the global population to halt travel, thereby sharply curbing demand for gasoline, diesel, and jet fuel. Despite price stabilization by November 2020, a rebound in WTI prices to those seen five to ten years ago is not projected as demand remains depressed and increased global supply over the near term is expected to continue putting downward pressure on oil prices.

WTI prices decreased 32.9 per cent from 2019 to 2020. As an oil-exporting country, this drop in global oil prices contributed to a lower Canadian dollar relative to the United States dollar. Despite modest monthly volatility the Canadian dollar averaged 74 US cents in 2020, down from 75 US cents in 2019 and 77 cents in 2018. With oil prices expected to remain low, the Canadian dollar is also expected to remain low.

The value of the Canadian dollar against its US counterpart has a direct effect on the health of the NWT economy. This is because the majority of goods and services bought and sold internationally are paid for in US dollars. The lower Canadian dollar means that NWT businesses that export their production internationally will get paid more for their products after the payments are converted into Canadian dollars, which will help NWT companies compete globally and boost exports. However, a lower Canadian dollar will also make machinery and equipment imported from outside the territory more expensive, putting a strain on many NWT businesses. In addition, the low Canadian dollar has boosted the cost of imported food and other goods, having a negative impact on many NWT households.

Lower oil prices have positive implications for other parts of the NWT economy by lowering the cost of energy for consumers, business and the energy-intensive mining industry.



Source: US Energy Information Administration and Bank of Canada

NWT Economic Outlook

Chained (2012) millions of dollars unless otherwise stated

	2017	2018	2019	2020e	2021f
Gross Domestic Product	4,873	4,911	4,517	4,221	4,465
<i>per cent change</i>	3.4	0.8	(8.0)	(6.6)	5.8
Total Investment	1,068	1,021	922	881	898
<i>per cent change</i>	(28.5)	(4.4)	(9.7)	(4.4)	1.9
Household Expenditure	1,632	1,660	1,674	1,687	1,711
<i>per cent change</i>	2.4	1.7	0.8	0.8	1.4
Government Expenditure	2,114	2,071	2,090	2,220	2,212
<i>per cent change</i>	1.4	(2.0)	0.9	6.2	(0.4)
Exports	3,521	3,617	3,139	2,602	2,866
<i>per cent change</i>	18.6	2.7	(13.2)	(17.1)	10.1
Imports	3,538	3,514	3,535	3,388	3,268
<i>per cent change</i>	(2.0)	(0.4)	(2.8)	(4.0)	1.5
Employment (number of residents)	21,300	21,400	21,300	20,500	21,000
<i>per cent change</i>	(5.3)	0.5	(0.5)	(3.8)	2.8
Average Weekly Earnings (dollars)	1,399	1,419	1,453	1,533	1,515
<i>per cent change</i>	(0.3)	1.4	2.4	5.5	(1.2)
CPI (All-Items), Yellowknife 2002=100	133.5	136.6	138.8	139.2	142.1
<i>per cent change</i>	1.2	2.3	1.6	0.3	2.1

e: estimate

f: forecast

Source: Statistics Canada and NWT Bureau of Statistics



Fiscal Review 2021-2022 Northwest Territories

Department of Finance
February 4, 2021



FISCAL REVIEW

2019-20 Final Results

Total revenues for the Government of the Northwest Territories (GNWT) in 2019-20 were \$1.85 billion; an increase of \$80 million, or 4.5 per cent, from 2018-19. Increased revenues from Territorial Formula Financing, other federal transfers and general revenues offset an \$8 million decrease in tax revenues from the previous year's results.

Total operating expenditures on programs and services in 2019-20 were \$1.88 billion, an increase of \$118 million, or 6.7 per cent, from 2018-19. The highest percentage increase in the budget from 2018-19 to 2019-20 was 21 per cent for the Legislative Assembly; an increase of \$4.2 million in its budget. Over one-half the total spending increase went to the Department of Health and Social Services for a total budget increase of 12 per cent, or \$60 million. The Department of Finance's budget increased \$18 million; the Department of Education Culture and Employment rose \$8 million; and the departments of Environment and Natural Resources, Infrastructure and Municipal and Community Affairs each received increases of over \$6 million.

2019-20 operating expenditures were higher than revenues, resulting in an operating deficit of \$71 million, the second consecutive deficit. Total debt increased to \$1.2 billion as March 31, 2020.

2020-21 Revised Estimates

Total revenues for 2020-21 are expected to be \$2.175 billion. Despite the economic disruption caused by the global COVID-19 pandemic, total revenues decreased \$10.5 million from the projections in the 2020-21 Budget released February 25, 2020. The federal government has committed to providing \$124 million in transfers to help with expenses created by the pandemic and after the reallocation of infrastructure transfers to future years, total federal transfers increased \$45 million from the 2020-21 Budget forecast. Out of a projected \$55 million decrease in own-source revenues from the 2020-21 Main Estimates, roughly \$45 million can be attributed to the economic disruption caused by the COVID-19 pandemic. Pandemic-related declines are primarily projected decreases in fuel and carbon tax revenues from reduced fuel consumption (mainly mining) and foregone revenues (leases, bridge tolls, some fees and licences) that were not collected as a means of providing financial support to business during the most severe public health restrictions. The \$23 million decline in projected corporate income tax revenue partially relates to economic events in 2019 rather than in 2020-21.

Total operating spending for 2020-21 is estimated at \$2.05 billion; an increase of \$154 million from the 2020-21 Budget. Most of this increase is related to increased expenditures to address public health restrictions during the pandemic: \$71 million was provided to Health and Social Services and \$11 million to Municipal and Community Affairs. The Department of Finance budget increased by \$39 million to cover additional costs in the first months after the March 18 declaration of a public

health emergency and for supports to Northern airlines. From another perspective, two-thirds, or \$103 million of increased expenditures were grants and contributions to support Northwest Territories residents and businesses through the economic crisis brought on by the pandemic. Compensation increases for jobs related to carrying out public health orders were 12 per cent, or \$18 million.

For the third year in a row, expenditures are projected to be greater than revenues, resulting in an operating deficit of \$31 million. This will force Government to borrow more than expected to cover operating deficits, but also borrow for the capital budget, which was to be partially funded by the projected operating surplus.

Total debt for the purposes of the federally-imposed borrowing limit is projected to be \$1.33 billion as of March 31, 2021. The borrowing limit was increased from \$1.3 billion to \$1.8 billion in September 2020. This leaves \$469 million in borrowing capacity expected at March 31, 2021.

2021-22 Main Estimates

Total 2021-22 revenues are estimated at \$2.19 billion and total expenditures at \$2.12 billion, providing a projected operating surplus of \$69 million.

Total revenues are supported by an \$86 million increase in federal transfers since the 2020-21 Main Estimates. Own-source revenues are forecast to be \$86 million lower than the 2020-21 Main Estimates due to declines in forecasted corporate income tax, resource royalties and revenues from the Yellowknife Airport and Marine Transportation System revolving funds.

The fiscal independence of the GNWT has been affected by the decreases in own-source revenues as federal transfers are projected to have increased from 81 per cent in 2019-20 to 85 per cent of total revenues in the 2021-22 Main Estimates.

Total budgeted 2021-22 department expenditures are \$2.01 billion, a 6 per cent increase from 2020-21 Main Estimates. Compensation and benefits, 21 per cent of the operating budget, a 6 per cent increase from the 2020-21 budget. Grants, contributions and transfers, 47 per cent of the total operating budget, also increased 6 per cent. Contract services, which are 11 per cent of the budget, are projected to increase 1 per cent.

Multiple years of deficits, plus the approved 2021-22 capital budget of \$441 million, including infrastructure contributions, will increase the debt forecast to \$1.59 billion at March 31, 2022, leaving \$215 million in available borrowing room.

2021-22 Budget Highlights

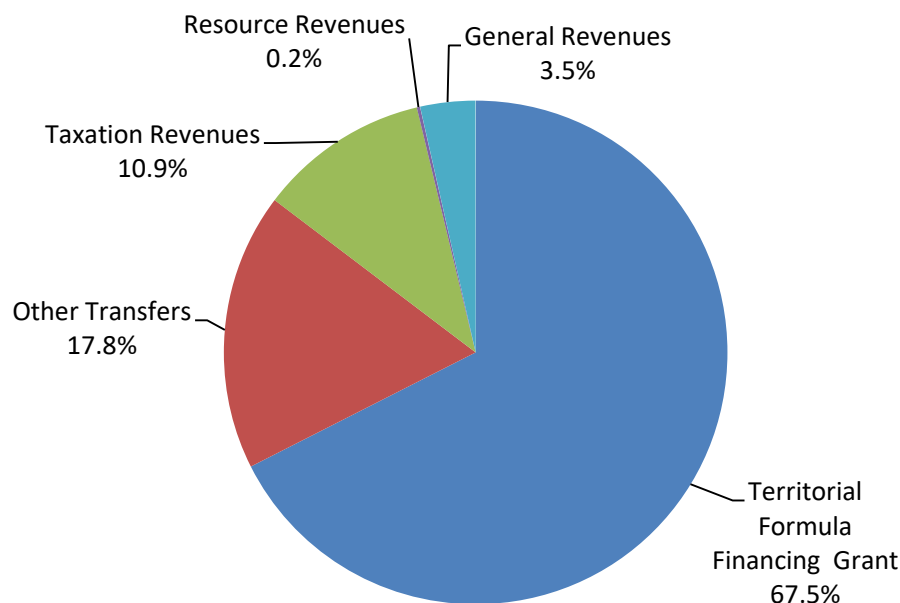
Revenue Initiatives

Budget 2021-22 does not contain any new taxes although some tax rates will change. The small business tax rate is planned to be reduced from 4 per cent to 2 per cent effective January 1, 2021. Property mill rates and some fees will be increased by inflation in keeping with financial management practices.

The GNWT committed under the *Pan-Canadian Framework on Clean Growth and Climate Change* to increase the Northwest Territories carbon tax from the current \$30 per carbon-equivalent tonne of greenhouse gas emissions to \$40 per tonne on July 1, 2021. This will mean that the carbon tax rate on gasoline will increase 2.4 cents per litre to 9.4 cents per litre. Carbon tax rates are set in the *Petroleum Products and Carbon Tax Act* and will increase annually by \$10 per carbon-equivalent tonne of greenhouse gas emissions until they reach \$50 per tonne on July 1, 2022.

Carbon tax revenues are recycled into the economy through government programs such as the Cost of Living Offset benefit, full rebates for carbon tax paid on heating fuel and fuel used for community electricity production, large-emitter rebates and grants, and greenhouse gas-reducing investments by the GNWT. The carbon tax exemption for aviation fuel helps reduce the implications for carbon pricing on the cost of living.

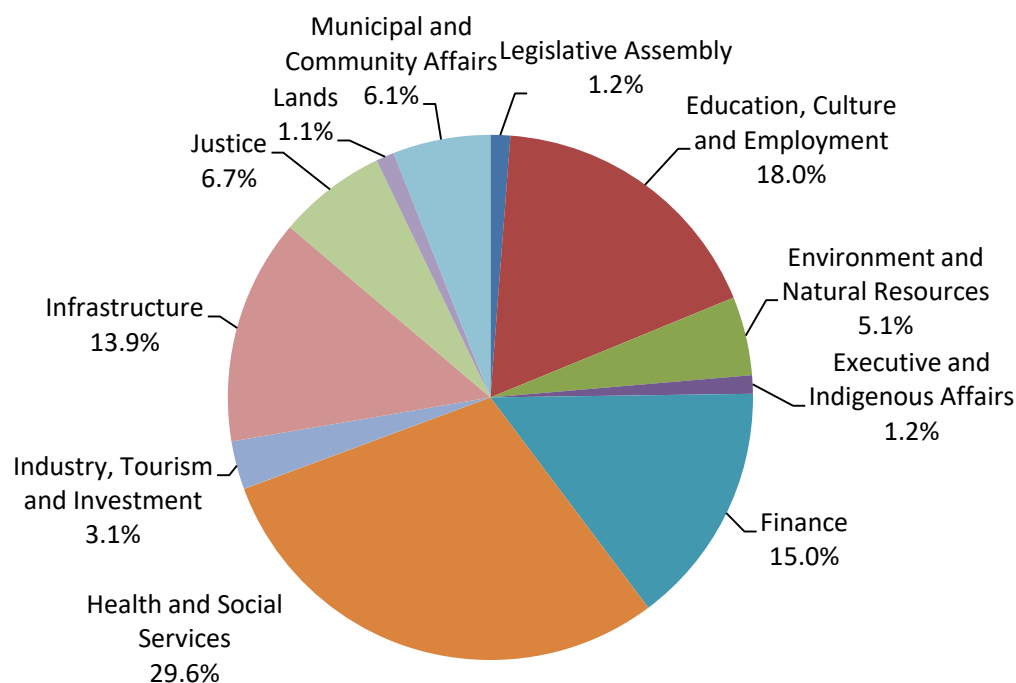
Projected 2021-22 Revenues by Source



Operating Expenditures

Budget 2021-22 projects \$2.01 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 \$117 million compared to Budget 2020, split between social programs, up \$93 million, and all other spending, up \$24 million.

2021-22 Operations Expenditures by Department



Legislative Assembly

- \$921,000 for the Office of the Clerk to complete various projects and technical upgrades.
- \$458,000 for Statutory Offices to add a Human Rights Officer position, change positions from part time to full time, and address increases in telecommunications and travel costs.
- \$427,000 for increases to Members' allowance and pension expenses.
- \$179,000 for positions and hours worked in the Office of the Chief Electoral Officer.
- \$1,000 for the Office of the Speaker inflation increases for the Speaker and Deputy Speaker.

Education Culture and Employment

- \$4.108 million for the Income Assistance Program to address increased costs related to more clients, inflationary pressures, enhancements to increase assistance to low and modest income families, enhancements for single applicant rental allowance benefits and increased allowances for seniors and persons with disabilities.
- \$4.255 million for School Contributions COVID-19 Support to provide funding to address increased costs to safely reopen NWT schools for the 2020-21 school year ending in June 2021, including additional cleaning costs, teaching and substitute teaching in case of higher sick absenteeism, increased materials and supplies and acquisition of devices that can access the internet.
- \$1.170 million to ensure the Northern Distance Learning program is sustainable and to expand the program to remaining rural community schools.
- \$1.088 million for the Student Financial Assistance Support Program to provide increased support to students related to COVID-19 costs through two application-based grants: one-time \$750 non-repayable, but taxable, technology grant for full-time students to assist with the cost of technology (e.g. computer, printer, scanner) required to participate in online/virtual post-secondary studies; and, an eight month non-repayable, taxable grant of \$100 per for full-time students for increased internet and other home utility costs as a result of the online delivery of courses and as a mitigation for reduced summer employment earnings due to COVID-19.
- \$774,000 to record the increase in the valuation allowance (uncollectible student loans) for the Student Loan Revolving Fund, which, because it is treated as an expense, serves to reduce the recorded value of loans so that the loan amounts equals the amount that is expected to be collected.
- \$711,000 under the Canada-NWT Cooperation Agreement on Minority Language Education and Second Official Language Instruction to provide support to education bodies and Collège nordique francophone for delivery of French language training.
- \$600,000 to continue work to revitalize Indigenous languages by developing an Indigenous Languages Adult Immersion Diploma in partnership with Aurora College, the University of Victoria and Indigenous governments that will provide work force skills development required for occupations requiring a capacity to speak Indigenous languages.
- \$600,000 for a one-time funding increase under the *Canada-Northwest Territories Workforce Development Agreement* to enhance existing workforce programs to support people in obtaining and maintaining employment, such as wage subsidy programs, skills development, entrepreneurship support and job creation programs provided in response to the disruptions created by the COVID-19 pandemic.
- \$508,000 to hire career and education advisors for schools in Fort Simpson, Norman Wells and Fort Smith to work with students and guardians to provide information to transition to post-secondary education and to connect with employers.

- \$500,000 to establish an ongoing funding program to support the creation of licensed early learning and child care spaces across the territory by subsidizing non-government organizations for the cost of space acquisition, renovations, and repairs.
- \$365,000 to extend temporary funding to maintain 12 multi-person family housing rental units for Aurora College in Inuvik.
- \$306,000 for research to modernize the *Education Act*.
- \$265,000 to support competency-based professional standards for Junior Kindergarten to Grade 12 educators and improve their opportunities to use online technology for professional collaboration.
- \$222,000 for two Student Records Coordinators to support increased requests for school records relating to the Federal Indian Day School Class Action settlement.
- \$177,000 for a Quality Assurance Coordinator position to ensure accreditation standards are met at the post-secondary level.
- \$165,000 increase to address costs for a travelling mental health team to provide services to the smallest communities, estimated at \$55,000 per school, as part of the Northwest Territories School and Community Child and Youth Care Counsellors program, which provides access to mental health and wellness counselling resources for children, youth and families.

Environment and Natural Resources

- \$2.601 million to continue to implement the *2030 NWT Climate Change Strategic Framework 2019-2023 Action Plan*.
- \$127,000 for air tanker contract increases for forest fire suppression services.
- \$110,000 in additional funds for the Sustainable Livelihoods Program to work with partners to develop and deliver harvesting training courses, including safety and navigation, harvesting and processing skills and food preparation.
- \$58,000 for a part-time French Language Communications and Services Coordinator to provide French Language Services.

Executive and Intergovernmental Relations

- \$631,000 for the creation of the Gender Equity Unit that will support the implementation of gender-based analysis plus (GBA+) government-wide. This includes \$150,000 in grants and contributions to increase funding available to the Native Women's Association, the Status of Women's Council, and the Women's Initiative grant, and will assist non-government organizations in addressing the expanded definitions and parameters of gender within society and government.

Finance

- \$5.1 million increase in NWT carbon tax rebates for carbon tax paid on heating fuel and fuel used to generate electricity for distribution, and 72 per cent of the carbon tax paid by large emitters due to NWT carbon tax rates increases effective July 1, 2021.
- \$2.3 million to cover the increase in the NWT carbon tax Cost of Living Offset benefit annual payments to \$208 per adult and \$240 for children under 18 years.
- \$1.8 million for the Tẖcẖ All-Season Road annual service payments.
- \$1 million for increases in NWT carbon tax large emitter individual accounts due to NWT carbon tax rate increases, effective July 1, 2021.
- \$100,000 for increased interest costs on the Deh Cho Bridge debt.

Health and Social Services

- \$34.589 million for the COVID-19 Secretariat to continue implementing public health orders in 2021-22.
- \$8.423 million for 45 positions and other operating expenses for activities under the First Nation and Inuit Home and Community Care Agreement with Indigenous Services Canada.
- \$7.512 million to reflect demands and the 24 hours, seven days a week nature of NWT Health and Social Services Authority.
- \$5.855 million to increase capacity in Child and Family Services by adding front-line positions to deliver services across all regions and increase program support provided by the department and the NWT Health and Social Services Authority.
- \$4.346 million for 27 positions under the NWT School and Community Child and Youth Care Counsellors program, which is designed to increase access to mental health and wellness counselling resources for children, youth and families across the Northwest Territories.
- \$4.16 million for increased costs for insured hospital and physician services provided to Northwest Territories residents in other provinces and territories.
- \$3.441 million for increased costs related to medical travel including increased number of cases and trips per case.
- \$1.828 million for supplementary health benefits to address increases in service and supply costs, especially in pharmacy and medical travel programs due to increases in the claimant numbers.
- \$1.12 million to train personal support workers and licenced practical nurses at Aurora College to care for long term care residents.

- \$1.1 million to renew and improve the Healthy Family Program to better reflect early childhood development and culturally-based prevention priorities.
- \$1.023 million for insured hospital and physician services for non-residents of the Northwest Territories; these costs will be fully recovered by billing the non-NWT residents' home jurisdiction.
- \$615,000 for the expansion of the Hay River dialysis unit.
- \$406,000 to cover wage increases under the *AVENS Collective Agreement*.
- \$400,000 to review and amend the Meat Inspection Framework to remove barriers for safe meat production, including drafting *Meat Inspection Regulations* and development of policies and processes related to the program and training employees and meat producers.
- \$333,000 to carry over unused federal funds for work under the *Northern Wellness Agreement*, including filling the Sexual Health Coordinator position.
- \$290,000 for the Paid Family Caregiver Project and to fund project software for home and community care initiatives under the *Canada-Northwest Territories Home and Community Care and Mental Health and Addictions Services Funding Agreement*.
- \$285,000 for the Northwest Territories Health and Social Services Authority to cover increased costs for non-discretionary supplies and chemotherapy drugs.
- \$280,000 to extend the Peer Support Program for people with mental health and addiction issues.
- \$138,000 for a position to lead the Canadian Hospitals Injury Reporting and Prevention Program Agreement at the Stanton Hospital.

Infrastructure

- \$2.705 million to establish the Department's ongoing budget for utilities at Stanton Hospital.
- \$1.798 million to adjust the Department's budget for increased electricity costs for facilities owned by the GNWT.
- \$1.195 million for increased costs to maintain Highway 8 (Dempster Highway) caused by increased contract costs, permafrost degradation, increases in volume and price of supplies for repairs; increased hauling and transportation costs; and increased costs for maintenance of, or replacement for, aging equipment.
- \$1.12 million to address office space lease requirements for increasing capacity in the Child and Family Services Program.

- \$151,000 to establish one Occupational Health and Safety Officer in Inuvik to maintain the regulatory requirements of the *Safety Act*, related to transportation, marine services, airports and winter road worksites across the territory.
- \$83,000 for increased water and sewer costs associated with the Lafferty and N'Dulee ferries.
- \$49,000 for reallocation of approved funds for *Low Carbon Economy Leadership Fund Agreement* with Environment and Climate Change Canada to reflect an amended timeline.

Industry Tourism and Investment

- \$936,000 to support the first year of a renewed tourism strategy with *Tourism 2025*, a five-year investment strategy.
- \$400,000 to maintain 2020-21 funding levels in the Mining Incentive Program.
- \$360,000 to develop regulations for the *Mineral Resources Act* that came into effect in 2019.
- \$350,000 to advance strategies for developing the knowledge economy and to establish regional economic development plans.
- \$250,000 to re-profile the Fishing Sector Support Officer position and provide a contribution to assist the Tu Cho Fishers Cooperative to complete the work required to be ready to operate and manage the fish processing plant being built in Hay River as part of the *Strategy for Revitalizing the Great Slave Lake Commercial Fishery*.
- \$225,000 to implement the *Northwest Territories Petroleum Resources Strategy*.
- \$76,000 to fund a seasonal Tourism Development Officer position in Inuvik to address increased enforcement duties from the rise in tourism activity related to the opening of the Inuvik-Tuktoyaktuk Highway.
- \$58,000 to establish a new seasonal Parks Officer position in Fort Providence in response to increased visitors to South Slave region parks.
- \$58,000 to provide a part-time French Language Communications and Services Coordinator for French Language Services.

Justice

- \$422,000 to fund three new Royal Canadian Mounted Police (RCMP) constable positions in the Yellowknife Detachment to absorb increased training and administrative requirements that cannot be balanced with the detachment's 24 hours, seven days per week operating schedule.

- \$303,000 for a pilot Community Safety Officer Program to be administered and delivered by a community organization to provide trained officers to respond to incidents and liaise between residents and other enforcement agents.
- \$257,000 to fund recommendations in the *2020 Judicial Remuneration Commission Report* for increased compensation and benefits for Territorial Court judges and deputy judges and to establish a professional development budget for judges.
- \$233,000 to fund two new Sheriff Officer positions in Yellowknife to address increased demand for court services.
- \$158,000 to continue work with the Government of Canada to implement the *Gun and Gang Strategy* to support community-level prevention and enforcement efforts to address criminal activity arising from organized crime, drug, and firearm trafficking.
- \$123,000 for the North Slave Correctional Complex to address increased inmate service costs due to increasing number of inmates and rising costs of goods and services.
- \$99,000 for the Office of the Children's Lawyer to cover increased costs for external counsel services resulting from an increase in the number of clients.

Lands

- \$309,000 to address untenured and unauthorized occupancy on public lands, including identifying ownership, determining if occupancy is based on rights, and establishing the policy framework for the GNWT to offer tenure.
- \$253,000 for the permanent establishment of a Wek'eezhii Land Use Planning Committee and Planning Office.

Municipal and Community Affairs

- \$3.334 million to reduce the municipal funding gap by increasing the annual Community Government Funding base.
- \$1.406 million for payments required under the Grant-in-lieu Property Tax Program caused by changes in the assessed value of government assets.
- \$199,000 for the incremental grant funding provided under the Délne Got'ine Government Financing Agreement.

Northwest Territories Housing Corporation

- \$5 million to provide the funds necessary to be able to participate in the National Housing Co-Investment Fund, which supports the new and revitalization construction of mixed-income, mixed-tenure, mixed-use affordable housing.

- \$300,000 to extend the Fuel Tank Replacement Program to provide income-tested one-time forgivable loans to homeowners to replace aging fuel tanks that do not qualify for insurance coverage nor meet current standards.
- \$109,000 to assist emergency shelters with increased costs due to inflation.

Medium-Term Outlook

Medium Term Outlook (December 2020 Forecast)

	2019-20 Actuals	2020-21 Revised Estimates	2021-22 Mains Estimates	2022-23	2023-24	2024-25	2025-26
					(forecast)		
Total Revenue	1,849	2,175	2,192	2,230	2,217	2,181	2,117
Operating Expenditures	1,919	2,207	2,124	2,146	2,161	2,170	2,172
Operating surplus (deficit)	(71)	(32)	68	84	56	11	(55)
Capital Investment	165	199	344	326	314	248	180
Total (Debt) at March 31							
Cash Surplus (Deficit) at year end	(523)	(476)	(631)	(738)	(818)	(907)	(952)
Long Term Debt and Guaranteed Debt	(683)	(855)	(954)	(986)	(998)	(1,004)	(966)
Total (Debt) at March 31	(1,206)	(1,331)	(1,585)	(1,724)	(1,816)	(1,911)	(1,918)
Borrowing Limit	1,300	1,800	1,800	1,800	1,800	1,800	1,800
Available Borrowing Capacity	94	469	215	76	(16)	(111)	(118)

The medium-term outlook is based on a five-year revenue forecast using data available as of December 2020. Operating expenditures are estimated using the four-year business plans developed in September 2020, and builds in new expenditures from the 2021-22 Budget. Capital investments are based on the 2021-22 Capital Estimates approved in October 2020 and longer term capital planning projections.

The medium-term outlook shows that under current projections the GNWT is not generating enough cash to pay for infrastructure investment, which results in an increase in total debt. Under the current assumptions, the GNWT will be only \$76 million below the borrowing limit in 2022-23 and will be over the limit by the end of 2023-24.

Risks to the Fiscal Outlook

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

- *The Northwest Territories' economic dependence on resources and uncertainty about the economic recovery from the pandemic* – 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. The COVID-19 pandemic has disrupted economies around the world and the economic recovery elsewhere will have implications for the demand for Northwest Territories resources and carry significant risk for lower tax revenues for the GNWT. Other sectors, especially the tourism and hospitality and accommodation sectors, have also suffered severe revenue and job losses but do not pose a significant risk to GNWT own-source revenues. Reduced economic activity also has implications for the size of the Northwest Territories population, which affects the amount of federal transfers that the GNWT receives.

- *Revenue volatility* – Corporate income tax has historically 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 also volatile and their variability is not offset through Territorial Formula Financing. Resource revenues are sensitive to commodity price swings, exchange rate fluctuations, and operational decisions made by 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. 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 is on average 70 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 potential provincial and local government fiscal austerity measures to address increased levels of debt will reduce growth in the Territorial Formula Financing Grant. This means that revenues grow more slowly and there will be less money for operating and capital budgets. An underdeveloped private sector limits the ability to raise additional revenue through tax changes.
- *On-going operating expenditure pressures* – Constant pressure exists to enhance current programs and to implement initiatives while not reducing existing program and service expenditures. Operating spending has grown over time through a combination of initiatives, adjustments to enhance or improve programs, and forced increases based on higher costs and demand for services.
- *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.
- *Debt Position and Financing* - The GNWT issues debt to partially finance its capital program and to meet short-term borrowing requirements. The amount of debt has increased almost continuously since 2009-10, reflecting investments in capital projects. The GNWT has also taken advantage of cost-shared dollars with the federal government to develop the territory’s infrastructure. The state of Northwest Territories infrastructure is a barrier to increased economic opportunities and the attractiveness of the Northwest Territories as a place to live and work is negatively affected by lack of good quality infrastructure to deliver programs and services. Small operating surpluses and three years of unexpected operating deficits have increased short term borrowing and large infrastructure projects have increased long term

debt. As debt increases throughout the medium term outlook, the risk of the following increases:

- *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. The GNWT is reducing the risk of higher interest rates by converting some short term debt into long term debt through the issuance of a government bond in 2020.
- *Exceeding the Borrowing Limit* - the \$1.8 billion federally-imposed borrowing limit was raised in September 2020. Without that increase, the GNWT would have exceeded the borrowing limit in 2020-21. While the GNWT is projected to remain below the borrowing limit for 2021-22 and 2022-23, current debt projections will exceed the limit in 2023-24. There is no guarantee that the federal government will agree to a further borrowing limit increase.
- *Downgrade of the Credit Rating* - The *Fiscal Responsibility Policy* (see box) is a major component in the GNWT's Aa1 rating from Moody's Investors Service, one of the major international credit rating agencies. On October 30, 2020, Moody's Investors Service confirmed the GNWT's Aa1 credit rating, for the thirteenth consecutive year but downgraded the outlook on the credit rating from Stable to Negative citing longer term concerns about a narrow economy with a declining diamond sector and rising health expenditures due to an aging population and elevated infrastructure spending. This rating is one of the highest available and serves as validation that the financial management of the GNWT is sound and prudent.

Fiscal Responsibility Policy

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 generated from 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.

Fiscal Strategy

The GNWT must continue its efforts to live within its means to keep expenditure growth for both operations and infrastructure investment in line with revenue growth and adhere to the *Fiscal Responsibility Policy*.

The fiscal strategy plans to ensure long-term fiscal sustainability by managing expenditures and finding new revenues where feasible to avoid further operating deficits while still making investments in priority areas. The GNWT can continue to borrow as required to finance a prudent amount of infrastructure investments over the medium term to support the Northwest Territories economy.

The fiscal strategy set out in the 2020-21 budget provided the following key components:

- Allocate \$10 million in funding for 19th Assembly mandate priorities in 2020-21, with a total of \$25 million for the life of the Assembly.
- Seek cost-sharing and funding from the federal government to advance priorities.
- Collaborate with Indigenous Governments to advance projects that share priorities.
- Perform four-year business plans and increased program evaluation.

The 2021-22 Budget advances this fiscal strategy and is the product of four-year business plans. With this four-year planning horizon, the Government expects to achieve greater value for the resources spent; allowing each dollar to be stretched further.

The GNWT is taking a number of actions, including developing regional economic development plans, renewal of its procurement practices, and establishing a red tape reduction working group 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 strengthen the economy and expand the tax base, reducing the need for new revenue sources.

Government Renewal - Program Evaluation

On October 30, 2020, the Minister of Finance announced the Government Renewal Initiative to shift the way the budget is currently developed, which is focused on incremental increases or decreases from the previous year's budget, to a planning focus that relies on value-driven budgeting principles. This priority-based budgeting is based on the principle that government financial resources should be allocated based on government priorities as well as how effectively programs and services give value to residents.

The Government Renewal Initiative started with the introduction of four-year business plans and the next step is to perform performance evaluations of GNWT programs and services department by department and allocate resources to areas that are most critical and valuable to residents. Using the departments of Finance and Education Culture and Employment as the test departments, step is to use program evaluation techniques to:

- define program objectives and outcomes and describe program staff actions and outputs in clear terms so managers and staff know what to do and what they are trying to achieve;
- create a plan for program implementation to avoid confusion or major shifts in delivery;
- show managers what they should be monitoring in the program to identify what is working well and should be supported or expanded, and what problems should be proactively fixed; allowing them to effectively manage their programs, deal with issues that come up, continue things that work well, and ensure value is being delivered to clients;
- establish a defined timeline and plan to assess programs to determine if they are achieving what they are supposed to be achieving; and
- help the government know whether it is being effective and what it can do if it is not effective.

Summary of Operations

(thousands of dollars)

	2021-2022 Main Estimates	2020-2021 Revised Estimates	2020-2021 Main Estimates	2019-2020 Actuals
REVENUES	2,192,397	2,175,621	2,186,168	1,850,779
OPERATIONS EXPENSE				
Compensation and Benefits	425,482	417,455	399,677	388,745
Grants, Contributions and Transfers	945,195	993,880	891,368	856,881
Amortization	127,366	125,054	125,054	114,316
Chargebacks	23,338	22,401	22,536	22,957
Computer Hardware and Software	6,058	8,878	5,761	9,019
Contract Services	225,806	231,826	223,815	206,670
Controllable Assets	3,037	3,784	3,343	17,175
Fees and Payments	132,433	124,644	107,999	132,704
Interest	20,478	20,578	20,591	22,115
Loss on Sale of Assets	-	-	-	301
Materials and Supplies	22,217	21,997	20,186	24,427
Purchased Services	17,372	17,562	15,563	15,897
Travel	20,281	20,033	19,305	16,958
Utilities	40,891	38,397	38,248	42,928
Valuation Allowances	3,193	3,193	2,419	4,060
TOTAL OPERATIONS EXPENSE TO BE VOTED	2,013,147	2,049,682	1,895,865	1,875,153
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	179,250	125,939	290,303	(24,374)
Infrastructure Contributions	(63,691)	(109,941)	(75,317)	(44,613)
Deferred Maintenance	(2,000)	(2,367)	(2,000)	(1,637)
Petroleum Products Stabilization Fund net profit (loss)	-	-	(200)	(146)
Supplementary Reserve	(65,000)	(50,000)	(30,000)	-
Estimated Appropriation Lapses	20,000	5,000	20,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	88,634	106,234	87,361	110,634
Expenditures	(88,634)	(106,234)	(87,361)	(110,634)
OPERATING SURPLUS FOR THE YEAR	68,559	(31,369)	202,786	(70,770)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,686,990	1,718,359	1,852,597	1,789,129
ACCUMULATED SURPLUS, END OF YEAR	1,755,549	1,686,990	2,055,383	1,718,359

Summary of Revenues

(thousands of dollars)

	2021-2022 Main Estimates	2020-2021 Revised Estimates	2020-2021 Main Estimates	2019-2020 Actuals
GRANT FROM CANADA	1,480,118	1,412,734	1,412,734	1,309,278
TRANSFER PAYMENTS	390,587	417,173	372,237	193,764
TAXATION REVENUE				
Personal Income Tax	103,020	98,573	106,129	97,791
Corporate Income Tax	(8,418)	1,894	25,262	(8,781)
Cannabis Excise Tax	331	317	331	168
Carbon Tax	34,977	24,657	28,739	12,611
Tobacco Tax	14,476	14,802	15,002	14,967
Fuel Tax	18,367	17,508	21,614	17,564
Payroll Tax	42,470	40,641	44,670	42,906
Property Taxes and School Levies	28,617	28,410	29,858	29,201
Insurance Premium Taxes	5,500	5,400	5,400	5,664
	239,340	232,202	277,005	212,091
Non-renewable Resource Revenue				
Licences, Rental and Other Fees	2,964	47,722	2,507	4,494
Minerals, Oil and Gas Royalties	1,511	-	30,681	19,183
Quarry Fees	100	100	100	117
	4,575	47,822	33,288	23,794
GENERAL REVENUES				
Revolving Funds Net Revenue	25,016	19,838	37,978	28,320
Regulatory Revenues	23,653	21,351	24,921	24,493
Interest	200	280	280	306
Investment Income	400	400	400	5,397
Lease	4,024	506	4,009	4,266
Program	19,540	17,995	17,995	21,502
Grants	-	-	-	24
Grants in kind	140	140	140	3
Service and miscellaneous	1,804	2,180	2,181	13,495
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	14,046
	77,777	65,690	90,904	111,852
TOTAL REVENUES	2,192,397	2,175,621	2,186,168	1,850,779

Summary of Operations Expenditures

(thousands of dollars)

	2021-2022 Main Estimates	2020-2021 Revised Estimates	2020-2021 Main Estimates	2019-2020 Actuals
Department				
Legislative Assembly	24,443	22,720	22,720	23,789
Education, Culture and Employment	353,599	355,815	340,268	340,364
Environment and Natural Resources	97,874	102,931	97,085	93,977
Executive and Indigenous Affairs	22,428	23,186	22,886	22,102
Finance	301,826	325,735	286,668	260,826
Health and Social Services	596,784	593,080	522,011	545,914
Industry, Tourism and Investment	59,989	65,886	59,585	58,209
Infrastructure	278,894	276,056	271,468	263,337
Justice	133,753	133,961	133,617	129,414
Lands	22,425	23,364	23,364	22,733
Municipal and Community Affairs	121,132	126,948	116,193	114,488
	2,013,147	2,049,682	1,895,865	1,875,153
Expenditure Category				
Compensation and Benefits	425,482	417,455	399,677	388,745
Grants, Contributions and Transfers	945,195	993,880	891,368	856,881
Amortization	127,366	125,054	125,054	114,316
Chargebacks	23,338	22,401	22,536	22,957
Computer Hardware and Software	6,058	8,878	5,761	9,019
Contract Services	225,806	231,826	223,815	206,670
Controllable Assets	3,037	3,784	3,343	17,175
Fees and Payments	132,433	124,644	107,999	132,704
Interest	20,478	20,578	20,591	22,115
Loss on Sale of Assets	-	-	-	301
Materials and Supplies	22,217	21,997	20,186	24,427
Purchased Services	17,372	17,562	15,563	15,897
Travel	20,281	20,033	19,305	16,958
Utilities	40,891	38,397	38,248	42,928
Valuation Allowances	3,193	3,193	2,419	4,060
	2,013,147	2,049,682	1,895,865	1,875,153

Summary of Infrastructure Investment

(thousands of dollars)

	2021-2022 Capital Estimates	2020-2021 Revised Estimates	2020-2021 Capital Estimates	2019-2020 Actuals
Tangible Capital Assets				
Legislative Assembly	110	3,000	3,000	97
Education, Culture and Employment	13,248	40,314	25,713	8,204
Environment and Natural Resources	2,159	4,702	2,159	2,670
Finance	9,254	11,151	4,277	7,703
Health and Social Services	61,120	91,676	52,356	17,963
Industry, Tourism and Investment	14,250	17,233	3,786	4,247
Infrastructure	211,645	217,786	143,833	108,275
Justice	1,541	4,277	1,541	10,825
Lands	234	348	234	119
	313,561	390,487	236,899	160,103
Infrastructure Contributions				
Education, Culture, and Employment	16,900	11,145	8,085	2,430
Infrastructure	17,791	69,796	38,232	11,215
Municipal and Community Affairs	29,000	29,000	29,000	29,000
	63,691	109,941	75,317	42,645
Deferred Maintenance (non-capital)				
Infrastructure	2,000	2,367	2,000	1,638
	2,000	2,367	2,000	1,638
Public Private Partnerships				
Health and Social Services	-	-	-	4,649
Infrastructure	61,330	86,737	84,390	-
	61,330	86,737	84,390	4,649
Total Capital Estimates	440,582	589,532	398,606	209,035

Summary of Debt and Estimated Borrowing Capacity

(thousands of dollars)

	2021-2022 Main Estimates	2020-2021 Revised Estimates	2020-2021 Main Estimates	2019-2020 Actuals
SHORT TERM DEBT				
Government of the Northwest Territories	631,000	476,000	465,000	523,170
Hay River Health and Social Services Authority	1,000	1,000	1,000	-
NWT Hydro Corporation	-	10,920	28,286	20,959
	632,000	487,920	494,286	544,129
LONG TERM DEBT				
Government of the Northwest Territories:				
Bonds repayable, GNWT	140,000	140,000	-	-
Bonds repayable, NTPC	40,000	40,000	40,000	-
New debt, NTPC bonds	105,000	-	-	-
Deh Cho Bridge - Real Return Bonds	171,515	173,871	175,452	176,560
Mackenzie Valley Fibre Optic Link, P3 debt	69,946	72,651	72,651	75,300
Stanton Territorial Hospital, P3 debt	127,129	130,431	130,431	133,654
Tłıchq All-Season Road, P3 debt	74,243	128,993	128,993	64,525
Canada Mortgage and Housing Corporation	199	284	284	366
Public Agencies:				
NWT Hydro Corporation	199,695	204,564	204,564	207,984
NWT Housing Corporation	4,717	5,350	5,354	5,858
TOTAL DEBT	1,564,444	1,384,064	1,252,015	1,208,376
OBLIGATIONS UNDER CAPITAL LEASES				
Government of the Northwest Territories	-	-	-	-
NWT Hydro Corporation	15,984	16,397	16,389	16,768
LOAN GUARANTEES				
NWT Business Development and Investment Corp.	2,100	2,000	-	2,439
NWT Housing Corporation	4,947	6,765	8,443	8,583
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	1,587,475	1,409,226	1,276,847	1,236,166
LESS: EXTERNALLY RESTRICTED SINKING FUNDS				
Government of the Northwest Territories	-	(77,982)	(77,340)	(29,680)
TERRITORIAL BORROWING	1,587,475	1,331,244	1,199,507	1,206,486
TERRITORIAL BORROWING LIMIT	1,800,000	1,800,000	1,300,000	1,300,000
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	212,525	468,756	100,493	93,514

Provincial/Territorial Tax Rates at January 8, 2021

	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	7.00	8.20	60.80	2.00	2.0	11.5	-
Nunavut	44.50	-	6.4	9.1	6.63	8.05	60.00	2.00	3.0	12.0	-
Yukon	48.00	-	6.2	7.2	6.63	8.05	62.00	-	0.0	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	6.63	8.05	55.00	-	2.0	8.0	-
Saskatchewan	47.50	6.0	15.0	15.0	6.63	8.05	54.00	-	0.0	12.0	4.0
Manitoba	50.40	7.0	14.0	14.0	6.63	8.05	60.00	2.15	0.0	12.0	6.0
Ontario	53.53	8.0	14.7	14.3	6.63	8.05	36.95	1.95	3.2	11.5	1.25
Quebec	53.31	9.975	19.2	20.2	-	-	29.80	4.26	4.0	11.5	1.25
New Brunswick	53.30	10.0	10.87	15.45	6.63	8.05	51.04	-	2.5	14.0	5.0
Nova Scotia	54.00	10.0	15.5	15.4	-	-	59.04	-	2.5	14.0	4.0
Prince Edward Island	51.37	10.0	8.47	14.15	6.63	8.05	55.04	-	2.0	16.0	5.0
Newfoundland & Labrador	51.30	10.0	14.5	16.5	6.63	8.05	59.00	2.00	3.0	15.0	6.0
Weighted average ^(g)	52.48	7.4	15.4	15.6	5.27	6.32	43.11	2.09	2.8	11.4	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, July 1, 2019 in Nunavut and Yukon, and January 1, 2020 in Alberta. New Brunswick established its own carbon tax effective April 1, 2020. The Northwest Territories, British Columbia, Newfoundland & Labrador, and Prince Edward Island have provincially administered carbon taxes. Quebec and Nova Scotia have cap and trade systems. The NWT carbon tax came into effect September 1, 2019.

(d) 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. 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, 2020.