

BUDGET ADDRESS 2003

GOVERNMENT OF NUNAVUT

THE HONOURABLE KELVIN NG

MINISTER OF FINANCE

March 11, 2003

SIXTH SESSION OF THE
FIRST LEGISLATIVE ASSEMBLY OF NUNAVUT

ISBN # 1-55325-046-X

TABLE OF CONTENTS

INTRODUCTION1

ADDRESSING OUR FISCAL CIRCUMSTANCES2

ENHANCING GOVERNMENT OPERATIONS7

SELECTED PROGRAM HIGHLIGHTS8

FISCAL UPDATE FOR 2002 - 2003.....11

BUDGET PLAN FOR 2003 - 2004.....13

CONCLUDING REMARKS18

APPENDIX A20

INTRODUCTION

Mr. Speaker, Honourable Colleagues and Nunavummiut.

As we enter 2003-2004, the final year of our current mandate, it is important to acknowledge the significant contribution by each Member of this Legislative Assembly, which together with the dedicated efforts of our public service, have made the Government of Nunavut a working reality.

The task of establishing a new, fully functioning government is a significant achievement, Mr. Speaker, which is unprecedented in Canada's recent history. We have accomplished this while respecting the traditional Inuit values upon which Nunavut was created by our founding Fathers. Through prudent decision-making, we have successfully set a course for the future development of the territory and built a strong foundation for the next Legislative Assembly to continue our commitment to meet the best interests of Nunavummiut.

Yet there have been considerable challenges along the way. Not the least of which is the burgeoning need for social and economic infrastructure to support Nunavut's widely dispersed, youthful and growing population.

Under the current mandate, the Government of Nunavut has pursued several key initiatives to ensure strong fiscal management across government operations in order to efficiently and effectively meet these requirements.

We have pursued strategic investments in social and economic infrastructure and fostered key partnerships with the Government of Canada, our provincial and territorial counterparts, and the Inuit birthright organizations. We have strengthened internal capacity through training and development programs. I wish to highlight some of the key initiatives we have undertaken during our mandate.

- We have pursued strategic initiatives in education, which includes significant investment in school facilities and curriculum development.
- We have invested in new housing stock and actively sought partnership arrangements to adequately house our growing population.
- We have made strategic investments in health care, which will see a state-of-the-art hospital in Nunavut's capital, and two new health centres in Cambridge Bay and Rankin Inlet.
- We have developed partnerships with the two other territories to broaden awareness of the unique challenges of the North, while

negotiating with the federal government on such matters as the Formula Financing Arrangement and the Health Accord.

- We have undertaken a government-wide program review to improve the delivery of programs and services.
- We have placed major focus upon the integration of traditional Inuit culture, language and values into government operations.
- We have developed programs in nursing and law in Nunavut, as well as two internship programs to support beneficiary development and employment, in support of our Inuit Employment Plan.
- We have achieved decentralization objectives to make government more accessible and responsive to our people, and provide employment and economic opportunities across the territory.
- We have initiated discussions with the Government of Canada with the aim of securing control over the management of our natural resources, and an economic development agreement to enhance our economy and revenue base.

All of these initiatives are critical towards ensuring a sound social and economic foundation for Nunavut's future.

Today, I have the privilege of presenting our fifth budget, the final one for the term of the First Legislative Assembly. It builds on the theme of sound financial management and responsible decision-making, evident in our first four years of operation. While we all can be proud of the achievements of Nunavut to-date, we must continue to acknowledge the many challenges that lie ahead as we strive to meet the needs and aspirations of Nunavummiut across our young and vast territory.

ADDRESSING OUR FISCAL CIRCUMSTANCES

The Government of Nunavut continues to face urgent fiscal pressures to enhance much-needed social and economic infrastructure in addition to meeting ongoing program requirements.

Through prudent use of accumulated surpluses from our initial years, we have strived to make wise investments and develop a strong foundation for our future. However, this level of growth in expenditures is not sustainable without securing additional revenue sources.

Yet, control of Nunavut's natural resource base still lies with the Government of Canada and our economy is largely undeveloped, so we

must rely on that government for most of our revenues. If we are to provide Nunavummiut with a level of services enjoyed by other Canadians, we must have increased funding from the federal government. We will continue to seek changes in the level of federal support through:

- renegotiating the Formula Financing Arrangement to secure increased funding;
- aligning with territorial counterparts to bring further awareness of our unique challenges in the North;
- encouraging discussions to secure control over the development and management of our natural resources;
- working with other stakeholders to obtain federal commitment to an economic development agreement for the territory; and
- gaining further capital investment dollars through accessing federal initiatives.

The Government of Nunavut, through Premier Okalik, Members of Cabinet and the support of Regular Members of this Legislative Assembly, have strongly made the case that the development of the Nunavut economy depends in large part on increased public investment.

The Nunavut Fiscal Review, an undertaking that was supported by both the previous and current federal Ministers of Finance, has provided further opportunity to present our long-term fiscal situation and challenges to the federal government. We will be continuing this dialogue.

Mr. Speaker, all provinces and territories receive transfers from the Government of Canada. For the three territories, the most significant of these federal transfers is the Formula Financing Arrangement.

For the 2003-2004 fiscal year, we are projecting \$729.6 million in federal transfers. More than 90 percent of this total amount will be provided through the Formula Financing Arrangement.

The annual amount that Nunavut receives through the Formula Financing Arrangement is not a fixed amount. Rather, it responds to changes in the annual growth or reduction of provincial government expenditures and the national economy. In addition, the annual amount is influenced by the amount of Nunavut's tax revenue and annual change in our population relative to Canada's population.

At the recent meeting between Prime Minister Chretien and the territorial premiers, the Prime Minister indicated that the formula should be reviewed to ensure it meets the fiscal challenges faced by our governments.

We are very optimistic, Mr. Speaker, that this will result in real improvement in our fiscal position.

The level of financial support that the provinces and territories receive from the federal government has been the subject of intense discussion for the past several months.

Both the Kirby Senate Report and the Romanow Royal Commission Report recommended increased federal participation in health care funding across the country. Premier Okalik and his provincial and territorial colleagues met in early February to discuss health care renewal. Prime Minister Chretien offered a national \$12 billion package over three years that would be allocated on a per capita basis.

We know that per capita allocations for federal funding do not work for the North. The 2003 Health Accord will provide at least \$9 million to Nunavut over the next three years. This level of funding represents an average of about \$3 million a year, or about one week of health care costs in Nunavut. The territorial Premiers did not endorse the Accord. Fortunately, there is now growing federal recognition that the use of a per capita formula to calculate territorial shares is not appropriate.

Nunavut generates less than 10 percent of its revenue through taxes, fees, licenses and a variety of other own-source revenues. However as we all recognize, Mr. Speaker, it is our land that holds tremendous potential as a source of additional revenue in the future.

Since 1999 the mining industry has invested more than \$215 million in exploring for minerals in Nunavut. In the next five years some projects are expected to be developed into commercial operations. These include the Jericho diamonds project and the Miramar Hope Bay gold project in the Kitikmeot, and the Meadowbank and Meliadine gold projects in the Kivalliq, as well as exploration activities for diamonds in the Melville Peninsula in the Baffin Region.

Our northern fisheries also hold much promise. Over the past couple of years our share of our adjacent offshore turbot resource has increased from 27 percent to approximately 58 percent today. In that same time period our share of our adjacent shrimp resource has increased from approximately 17 to 25 percent. Our ultimate goal is to reach allocations comparable to other adjacent jurisdictions which is in the range of 80 to 95 percent. Discussions are continuing with the federal government on an ongoing basis and it is anticipated that these numbers will increase substantially in 2003.

If Nunavut is to truly benefit from mining and other natural resource developments, we must have greater control over our resources. Over the past four years, we have worked hard to advance discussions with the

federal government regarding the devolution of authority for land and resource management.

This issue is extremely important to Nunavut. The territory contains over one-fifth of the landmass of Canada, and tremendous potential exists in harnessing the wealth of the natural resources that are contained within our borders.

We will continue to pursue discussions with the federal government, stressing that the power to levy and collect royalties from our natural resources represents one of the key cornerstones in establishing a sound foundation for the future economy of Nunavut.

Also, we are committed to working with Nunavut Tunngavik Incorporated and other partners to ensure we have the capacity to effectively manage our natural resources once assumed through the devolution process.

Working jointly with other stakeholders, we plan to continue efforts to secure an economic development agreement with the federal government. Despite repeated efforts to get strategic economic investment for Nunavut, the North is still the only remaining region of Canada without an economic development agreement with the Government of Canada. This gap has seriously impacted our progress in strengthening and diversifying our economy. Similar to control over the development and management of our natural resources, we need a comprehensive economic development agreement to allow our territory the opportunity to develop our economic revenue base.

Further, we will continue our efforts to seek effective partnerships with the Government of Canada, our territorial counterparts and Inuit birthright organizations to foster greater awareness of the unique challenges of Nunavut and to stimulate further growth in all sources of revenue.

Mr. Speaker, there is an acute shortage of housing throughout our territory. And, as the principal supplier of housing in the territory, the Government of Nunavut plays the lead role in trying to find innovative solutions that would alleviate the chronic shortage of both privately owned and public housing units.

Currently, through the Nunavut Housing Corporation, the Government of Nunavut maintains close to 4,000 public housing units representing almost 50 percent of our total housing stock. More than 50 percent of our population lives in public housing.

At the moment, Nunavut receives close to \$60 million annually from Canada Mortgage and Housing Corporation to help defray the cost of operating and maintaining the public housing stock in the territory. Unfortunately, over time, the federal contribution will steadily decline, with significant decreases occurring five to ten years from now.

A new partnering arrangement with the federal government is needed to resolve the problems that will be created by the declining federal funding, and the chronic housing shortage that has historically plagued our communities.

Mr. Speaker, Nunavut needs to explore innovative partnerships with the federal government, the provinces, other territories, as well as other members of the circumpolar community and Inuit birthright organizations to resolve common problems, and to make the most of common opportunities.

Over the life of the First Legislative Assembly, we have seen numerous examples of these partnerships and the value that they have brought to Nunavut.

In October 2002, the Strategic Highway Infrastructure Agreement with the Government of Canada was signed in Coral Harbour. This is a partnership agreement that provides \$4.3 million of federal funding for the purpose of improving transportation infrastructure in Nunavut.

In the past two years, Nunavut has accessed more than \$2 million through the Canada-Nunavut Infrastructure Agreement for various municipal infrastructure projects and \$5 million over the past four years to support the training needs of municipal land administrators.

We also received more than \$17 million over the past four years from the Government of Canada for the Community Aerodrome Radio Program, and close to \$5 million for airport capital projects through the Airport Capital Assistance Program.

This funding provides much needed assistance, but much more is needed for us to keep pace with the needs of our communities.

We also have entered into two significant partnerships to explore the feasibility of developing two important road links in Nunavut.

Work on the Bathurst Inlet Port and Road Project is being advanced by a partnership comprised of the Kitikmeot Inuit Association, the Department of Sustainable Development, the Department of Community Government and Transportation, and the private sector.

The Nunavut-Manitoba Road Connection study involves a partnership comprised of the Kivalliq Inuit Association, the Province of Manitoba and the Department of Community Government and Transportation.

Both of these partnership arrangements require significant federal involvement and support.

ENHANCING GOVERNMENT OPERATIONS

Mr. Speaker, I will now take a few minutes to recap a few of the steps we have taken during our first assembly to improving the efficiency and effectiveness of government operations.

We have actively promoted a decentralized model of government that was conceived as one of the cornerstones for building the new government of Nunavut. I am pleased to report that over the past four years, 429 positions have been established in the ten communities that were designated for decentralized operations.

The Decentralization Secretariat in the Department of Executive and Intergovernmental Affairs provided strong leadership throughout this process. Major credit also goes to the departments, agencies and Crown corporations involved.

Decentralization provides communities with much-needed infrastructure and economic development, as well as employment and training opportunities.

We established the Nunavut Housing Corporation as a separate entity to ensure that the complexities and importance of housing in Nunavut would be given adequate profile and attention.

Last year, we folded the staff housing function into the corporation as well, in recognition of the fact that staff housing forms an integral part of the housing base in the territory.

We also established the Nunavut Power Corporation. More recently, we announced additional plans to consolidate major utility functions in the territory through the formation of the Qulliq Energy Corporation. This new energy corporation will be comprised of the Nunavut Power Corporation and the Petroleum Products Division, which is currently part of the Department of Public Works and Services. The new corporation will provide more efficient management of energy in our territory, including greater emphasis on energy conservation and energy alternatives.

During the past four years, we also have worked hard to establish a sound foundation for future labour relations and stability in the work environment.

Since April 1, 1999, two new contracts have been successfully negotiated with the Federation of Nunavut Teachers and one agreement has been negotiated with the Nunavut Employees' Union.

We also have financed compensation settlements for a long-standing pay equity dispute and victims of a major abuse case. Both settlements relieve our Second Legislative Assembly of significant financial burdens and provide equitable compensation to affected individuals. We have dealt

fairly and openly with the losses Nunavummiut experienced due to bad gas. In short, we have lived up to our obligations, and have not passed on significant debts or unresolved issues to the next Assembly.

We committed to undertake the comprehensive government-wide program review to evaluate the programs and services we deliver. We have completed an extensive inventory of the programs and will continue in our efforts to seek greater efficiencies while ensuring overall effectiveness to meet Nunavummiut's needs.

This review, which is being coordinated by the Department of Executive and Intergovernmental Affairs and the Department of Finance, is near completion and the results will be presented to the Members of the Legislative Assembly in the coming months.

We will be taking additional measures to increase accountability and effectiveness of program delivery. This commitment to strengthen financial and program management, as well as accountability, extends across all operations, including Crown corporations.

A key component of this overall effort is the development of an information management strategy. This strategy will safeguard vital information needed to support effective decision-making.

SELECTED PROGRAM HIGHLIGHTS

Mr. Speaker, I would like to mention some of the other accomplishments of this First Assembly of the Government of Nunavut, particularly those that directly benefited individuals and families.

To safeguard our health:

- A new health facility is being built in Rankin Inlet. In addition, we are continuing to work with the Kitikmeot and Qikiqtani development corporations on the construction of a new health facility in Cambridge Bay and a new hospital in Iqaluit. These health facilities will cost in excess of \$80 million. Together with a residential care facility in Chesterfield Inlet, to be started this summer, and a fully equipped health centre in Arviat, which opened in 2001, and replacement of health centres in Pond Inlet and Igloolik, access to basic health care will be greatly expanded for all Nunavummiut.
- The Maternity Care Workers Program was introduced to train and develop qualified midwives. The birthing centre in Rankin Inlet is the first to offer dedicated midwifery services. Opportunities to expand this program into other communities throughout Nunavut are

currently being explored and efforts are underway to broaden awareness of the midwifery services

- Telehealth services were expanded to 15 communities in Nunavut, largely through an infusion of \$3.7 million in matching funds from the Government of Canada.
- A comprehensive Nunavut Tobacco Reduction Strategy was developed by the Department of Health and Social Services, including pending legislation for the restriction of the sale, promotion and accessibility of tobacco products to minors.

To ensure greater accessibility to affordable housing:

- Funds were added to expand the Nunavut Downpayment Assistance Program and we established a new staff condominium program, and a new tenant-to-owner program, to expand opportunities for home ownership.
- A new public housing rent scale was implemented in the past year.

To encourage advanced education:

- The Financial Assistance to Nunavut Students Review was completed resulting in increased funding to more than 250 beneficiaries who are currently receiving post secondary financial support through the program.
- We supported the creation and development of the Akitsiraq Law School program by establishing partnerships between the government, the Akitsiraq Board, the University of Victoria and Nunavut Arctic College.
- The Nursing Program was introduced to prepare Inuit nurses to respond to the health care needs of Nunavummiut. The curriculum emphasizes awareness and respect for Inuit culture, and will prepare Inuit nurses to be leaders in the Nunavut health care system.
- We developed two internship programs, the Inuit Management Development Program and the Financial Internship Program, to encourage young beneficiaries to pursue a career in the public service.

To support economic development:

- The Department of Sustainable Development jointly with Nunavut Tunngavik Incorporated and the Department of Indian and Northern Affairs, commissioned the Conference Board of Canada to prepare

and release the *Nunavut Economic Outlook*, which examined our economy in detail and identified economic prospects.

- The department also developed the framework document for the Nunavut Economic Development Strategy, leading to the release of *The Naujaat Challenge*.
- The Nunavut Mining, Mineral Exploration and Geoscience Report was produced in partnership with Nunavut Tunngavik Incorporated, Indian and Northern Affairs Canada, and the Canada-Nunavut Geoscience Office.
- The department is working with Nunavut Tunngavik Incorporated, regional Inuit organizations, communities and the private sector, to prepare the Sivummut Economic Development Strategy. The strategy will help prepare the foundation for the development of the territorial economy over the next twenty years.
- In the past year, the Prospector Development Program was delivered in 13 communities with 143 graduates.
- Nunavut continues to be an active partner in Team Canada trade missions, where Premier Okalik promotes our growing mining, fishing, fur, food processing and tourism economic sectors.
- Other key economic partnerships include the Baffin Fisheries Coalition, to take advantage of newly acquired quota in Davis Strait, and the agreement with Nunavut Tunngavik Incorporated on impact benefits from park development in the territory.

To support our culture:

- We have funded elders and youth conferences and exchanges including the Elders Nunavik-Nunavut gathering, and the annual Elders and Youth Gathering that was held in Igloolik.
- A settlement was negotiated with the Government of the Northwest Territories on the division of cultural assets currently housed in the Prince of Wales Heritage Centre in Yellowknife.
- The Department of Culture, Language, Elders and Youth is continuing to develop the Living Dictionary with over 40,000 terms searchable in Inuktitut, English and French. Of note, The Living Dictionary for Nunavut, *Asuilak*, received a national award for innovative technical and service delivery in the public sector.
- We also provided support to the Nunavut Youth Abroad Program that last year saw 20 Nunavut youth billeted with families in the south to

broaden career aspirations and to enhance cross-cultural awareness levels.

To promote community safety:

- We expanded the RCMP services in the communities, opening a new detachment in Repulse Bay and re-opening the detachments in Grise Fiord, Kimmirut and Kugaaruk.

To assist families and individuals:

- A Daycare Review was completed by the Department of Education. As a direct consequence, the number of licensed daycare facilities expanded from 30 to 47, and the number of childcare spaces increased from 691 to 990.
- A compensation package was developed for individuals who experienced engine trouble as the result of bad gas. To date, more than 2,100 claims have been processed.

FISCAL UPDATE FOR 2002-2003

Mr. Speaker, I will now briefly review our fiscal performance for the 2002-2003 fiscal year.

As I indicated in the October 2002 Fiscal Update, Nunavut's short-term fiscal situation has weakened since the time of the budget last April.

This is the result of two factors. Revenues are lower than budgeted, and expenditures are higher.

Projected total revenues for 2002-2003 have been revised down to \$728.5 million from \$745.5 million, due to lower projections of transfer payments from the Government of Canada.

Our formula financing revenues dropped by \$26.3 million while own-source revenues and other federal transfers increased by \$8.2 million and \$1.2 million, respectively, since the budget.

Nunavut began the 2002-2003 fiscal year with an accumulated operating surplus of \$96.2 million. This was largely the result of one-time savings and increased federal transfers during 1999-2000 to 2001-2002. This surplus allowed the government to invest more on needed capital and other strategic investments, than it received in revenues during the current fiscal year.

At the time of our April budget, prior to making strategic investments, we

were projecting an operating surplus for the year to be \$1.5 million. We are now projecting an \$82 million operating deficit, which will reduce our 2002-2003 accumulated surplus to \$14.2 million by year-end.

Lower revenue projections account for \$17 million of this change, and approved expenditure appropriations account for \$57 million. The remainder is the result of changes in other supplementary requirements and appropriation lapses.

Of the projected \$80.5 million increase in expenditures since the budget, \$51.6 million was spent on capital projects and \$5.3 million on operating expenditures. An additional \$23.6 million in supplementary funding will be considered during this Session of the Legislative Assembly. The expenditures approved to date include:

- \$16.4 million for staff housing;
- \$5.9 million for the three health facilities;
- \$4 million to fund the current year portion of the Iqaluit Block Funding Agreement;
- \$3.7 million for the Pond Inlet sewage lagoon;
- \$1.6 million to implement the bad gas compensation plan;
- \$1.7 million for the Baker Lake Learning Centre;
- \$1.3 million increase in the base budget of Nunavut Arctic College;
- \$1.4 million to fund the first year of the collective agreement with the Federation of Nunavut Teachers; and
- \$1.4 million for our contribution to the Strategic Highway Infrastructure Agreement.

The \$23.6 million Supplementary Appropriation to be considered by the Legislature in the current session includes:

- \$10 million in funding for the Department of Health and Social Services to fund ongoing programs;
- \$6 million for purchase of the Sivummut Building;
- \$4.7 million related to compensation for and removal of bad gas;
- \$1.6 million in response to the recent fires in Clyde River and Repulse Bay; and

- \$800,000 for the Department of Justice to cover additional costs related to inmates and court services.

BUDGET PLAN FOR 2003-2004

Mr. Speaker, I will now present our budget plans for Nunavut's fifth year of operation.

Nunavut expects to collect \$804.5 million in revenues from all sources in the coming fiscal year, which represents an 8 percent increase from last year's budget of \$745.5 million. It includes a \$31.8 million increase in revenue from the Formula Financing Agreement and at least \$9 million of new funding we expect from the Health Accord. Nunavut's tax and other own-source revenues are forecast to be \$11.3 million higher than budgeted last year. Planned expenditures are expected to be \$843.1 million, resulting in an unadjusted deficit of \$38.6 million.

After adjusting for estimated appropriation lapses of \$27 million, the operating deficit for 2003-2004 is expected to be \$11.6 million. At the end of 2003-2004, we are now forecasting an accumulated operating surplus of only \$2.7 million. This means that we will have depleted our accumulated surplus.

We did not raise taxes during our first four years of operation, and this budget contains no tax measures.

In the Budget Address for 2002, we promised to introduce changes to the *Income Tax Act* and, we introduced changes that significantly lowered the territorial income tax rates for personal and corporate taxation.

The implementation of the 2002 income tax measures gave us the lowest tax rates in Canada. These reductions are benefiting all taxpayers in our territory and are helping to strengthen our economy.

Mr. Speaker, our expenditure plan for the 2003-2004 fiscal year is comprised of an operating budget of \$700 million and a capital budget of \$143.1 million.

As in all previous budgets, the Departments of Education and Health and Social Services together with the Nunavut Housing Corporation received more than half of the total budget, consistent with our priorities.

I would now like to highlight departmental funding and some of the more significant initiatives that are planned for the upcoming year.

The Department of Education's operating budget for 2003-2004 will increase by \$7.4 million to \$160 million.

Over \$4 million of this increase will be allocated to school operations. An additional \$2 million will be utilized for curriculum and resource development related to the Language of Instruction Initiative.

The Inuit language is a cornerstone of Inuit culture and a key priority of our education system. Our efforts are supported by the many Inuit teachers who have graduated from the Nunavut Education Teachers Program, as well as by the Inuuqatigiit Curriculum Foundation and an Elders advisory committee. Inuit Qaujimajatuqangit principles are being integrated into new curriculum being developed.

Nunavut Arctic College receives its operating revenue from many sources. For 2003–2004, the College will be provided with base funding of almost \$15.6 million through the Department of Education. After other program funding is added, government support for Nunavut Arctic College for 2003-2004 will be \$17.5 million.

The Nunavut Research Institute is also an important part of the College providing leadership in developing, facilitating and promoting traditional knowledge, science, research and technology as resources for the well being of all Nunavummiut.

Mr. Speaker, we know that the welfare of our territory depends on having healthy communities. This is why the Department of Health and Social Services has been provided with a total budget of \$207.4 million. Included in this amount is \$151.6 million for operations, \$46.3 million for capital funding requirements for the three new health facilities, and \$9.5 million for other capital expenditures.

The department has received additional funding for the nursing retention strategy, outreach detoxification services with a minimal residential component and the creation of a decentralized medical travel office.

The department is planning to expand the Maternity Care Workers Program leading to qualified midwives in a number of communities. In the upcoming year, the feasibility of expanding the program to additional communities throughout Nunavut will be explored. As well, we will continue to implement our mental health and addictions strategy and expand the services of outreach programs with an increased emphasis on suicide prevention. We will engage traditional healers and elders in communities to assist us in our efforts to address these critical issues and in the implementation of measures to meet these challenges.

The Nunavut Housing Corporation has committed to delivering housing solutions to Nunavummiut as a key priority of this government. For fiscal 2003-2004, operations spending for the Nunavut Housing Corporation will total \$133.7 million.

The Corporation will continue counselling and assisting public housing tenants who are ready to own their homes to participate in the new tenant-to-owner program. The many revisions and improvements to the public housing rent scale will be carefully monitored during this first year of implementation.

The Staff Housing Condominium Program will be delivered in ten of Nunavut's decentralized communities. By the fall of 2003, almost 160 new affordable condominium units will be available for purchase and occupancy.

The Corporation continues its commitment to develop and implement a staff housing rent scale that is sensitive to the housing needs of staff, and is in step with the public housing rent scale.

Operations funding for social housing also has kept pace with our expanded capital program. Almost \$1.4 million in additional funding will be available to local housing organizations to meet the needs of the new housing units, bringing the total contribution to those organizations to over \$63.2 million.

The Department of Justice has been provided a total budget of \$47.6 million, which represents a \$2.7 million increase over last year's budget. The operating portion of the budget is \$46.1 million.

We have increased funding for law enforcement by \$1.4 million. This additional funding will enable the RCMP to open two new detachments in Whale Cove and Chesterfield Inlet. This will mean that we will now have an RCMP detachment in each of our communities. Funding is also provided through the capital budget for the planning and design of a new court house for Nunavut.

An increase of \$500,000 will help cover the salaries for community corrections positions and to address the costs of inmates outside of Nunavut.

The Department of Human Resources has been given a budget of \$19.4 million for fiscal 2003-2004. Mr. Speaker, the monies allocated for the Inuit Employment Plan and training account for almost one-third of this budget.

The department is responsible for the implementation, management and monitoring of Article 23 initiatives, training and development, and coordination of initiatives in all departments. The department manages its own Inuit Management Development Program and is assisting the Department of Finance in the implementation of the Financial Internship Program, aimed at placing more beneficiaries in financial management positions.

Mr. Speaker, the Department of Culture, Language, Elders, and Youth has been allocated nearly \$10.3 million for 2003-2004. This represents a

funding increase of \$1 million, or more than 11 percent when compared to last year.

The department is creating a comprehensive strategy that will coordinate the government's efforts in the areas of Inuit Qaujimajatuqangit and language.

In the coming year the department will provide over \$2.5 million in grants and contributions to empower communities and support initiatives and programs related to heritage, youth, elders, language, women, arts, toponymy, communications and the disabled.

For the 2003-04 fiscal year, \$37.8 million has been allocated to the Department of Sustainable Development. Of this amount, \$35.3 million has been budgeted for operations and \$2.5 million for capital projects.

Over 46 percent of the department's budget has been earmarked for grants and contributions. In total, the department has allocated \$16.3 million dollars to grants and contributions.

The department will continue to support the development of local economies by dedicating \$2.9 million to the Community Initiatives Program. Another \$2.4 million will be provided to municipalities for community economic development staff and community planning.

Nearly \$3.5 million will be provided to the Nunavut Development Corporation to support and develop community-based businesses and economic opportunities.

The department will continue investing in Nunavut's traditional land-based economy, providing funding support to the hunters and trappers organizations, the Community Harvester Assistance Program, the Regional Wildlife Boards, and the Nunavut Arts and Crafts Association.

Similarly, key investments will be made to ensure the continued development of our commercial renewable and non-renewable resources through funding contributions to the Fisheries Development and Diversification Program, the Commercial Fisheries Program, and the Prospectors Assistance Program.

This budget also commits to keeping tourism delivery funding at last year's enhanced level of \$2.4 million.

Mr. Speaker, the Department of Community Government and Transportation is primarily responsible for programs and services that support the delivery of municipal services to Nunavut's communities.

For 2003-2004, the department will have a budget of \$99.2 million, with \$72 million allocated for operations.

The 2003-2004 allocation includes a grants and contributions budget of \$40.1 million. Over \$24.5 million of the \$40.1 million is allocated to the Municipal Operating Assistance Program. The department has increased the contribution to this program by \$3.8 million from last year, an 18.4 percent increase, to help cover insurance, pension and other rising costs of municipalities. This will be the first increase to the municipalities' basic operating grant since 1995.

The department's capital budget is \$27.2 million, a \$10 million increase from last year. The priority for this much needed investment is basic water and sewage projects in our communities.

The Department of Public Works and Services has been allocated \$60.9 million for operations, and \$10.7 million in capital for the 2003-2004 fiscal year.

The department has allocated \$2.8 million to the systems development function that was recently transferred from the Department of Finance. This will consolidate informatics technology in the Department of Public Works and Services and will provide for more streamlined services.

Also, \$500,000 has been allocated for the start-up of Qulliq Energy Corporation and the devolution from Public Works and Services of the Petroleum Products Division.

Mr. Speaker, we have developed and are implementing a comprehensive five-year capital plan. During our mandate we have allocated \$450 million to capital projects. For the 2002-2003 fiscal year, \$122 million was allocated for capital and \$143 million for the 2003-2004 fiscal year. This high level of capital spending was financed in large part by our accumulated operating surplus, which amounted to \$96.2 million at the end of the 2001-2002 fiscal year.

Consistent with the priorities of this government, this capital was allocated, as follows: \$106 million to the Nunavut Housing Corporation, \$99 million to the Department of Education, \$76 million to the Department of Health and Social Services, and \$106 million to the Department of Community Government and Transportation.

The much-needed homes, schools, health facilities and community infrastructure projects resulting from the strategic capital investments were accomplished without having to incur direct debt.

Mr. Speaker, I referred earlier to the need for additional assistance from the Government of Canada to help us get the infrastructure needed for us to develop the full potential of our economy and population. Without this investment, it would be impossible for us to maintain the same level of capital spending that we have made in 2002-2003 and have budgeted next year. We have no accumulated reserves to invest. Our capacity to

generate extra tax revenues is limited in the short term and we do not want to or have the option to accumulate significant levels of debt.

Before moving to my concluding remarks, I will briefly reference the budget allocation of the Department of Finance and the Department of Executive and Intergovernmental Affairs.

The operating budget for the Department of Finance will be \$44.5 million, compared to \$47.4 million in 2002-2003. This drop is due to the transfer of information technology system development to the Department of Public Works and Services. About 55 percent of the departmental budget is expenditures which are government-wide in nature, including power subsidies, commercial leases and employee benefits.

The 2003-2004 budget for the Department of Executive and Intergovernmental Affairs is \$10.5 million, compared to \$11.1 million in the preceding year. This decline is primarily due to the completion of program review.

While these two central departments have primary responsibility for ensuring strong financial management, accountability and effective decision-making in our government, we recognize that we all share responsibility in that regard. Members of this Legislative Assembly, departments, agencies and Crown corporations each play a key role in meeting this important responsibility.

CONCLUDING REMARKS

Mr. Speaker, this is the fifth and final budget under the mandate of our First Legislative Assembly. It respects the principles upon which Nunavut was created, advances the goals of the Bathurst Mandate and carries the tradition of sound financial management and responsible decision-making from Nunavut's first four years. We have witnessed a very important period in our history and have played a key role in ensuring a sound foundation for future generations.

The next challenge in our evolution is to ensure sustainability given limited revenue resources and ever pressing needs of a young and rapidly growing population dispersed across a vast geographic area. One of the key achievements under this first mandate involves the strategic use of accumulated surpluses to provide much-needed social and economic infrastructure to support future generations. However, our capacity to meet increasing expenditures is limited and will require strong fiscal discipline and accountability into the next mandate.

We will continue to face new and exciting challenges in Nunavut's evolution. However, we always will have these initial years to remind us of how much can be achieved in such a short period through the joint efforts of a committed Legislative Assembly, a dedicated public service and the support of all Nunavummiut. Our accomplishments are unprecedented, Mr. Speaker, and I am certain I speak for all my Honourable Colleagues, in saying how proud we are in having accomplished so much under this first mandate to meet the needs of our people, now and into the future.

Thank you, Mr. Speaker, Honourable Colleagues and Nunavummiut.

APPENDIX A

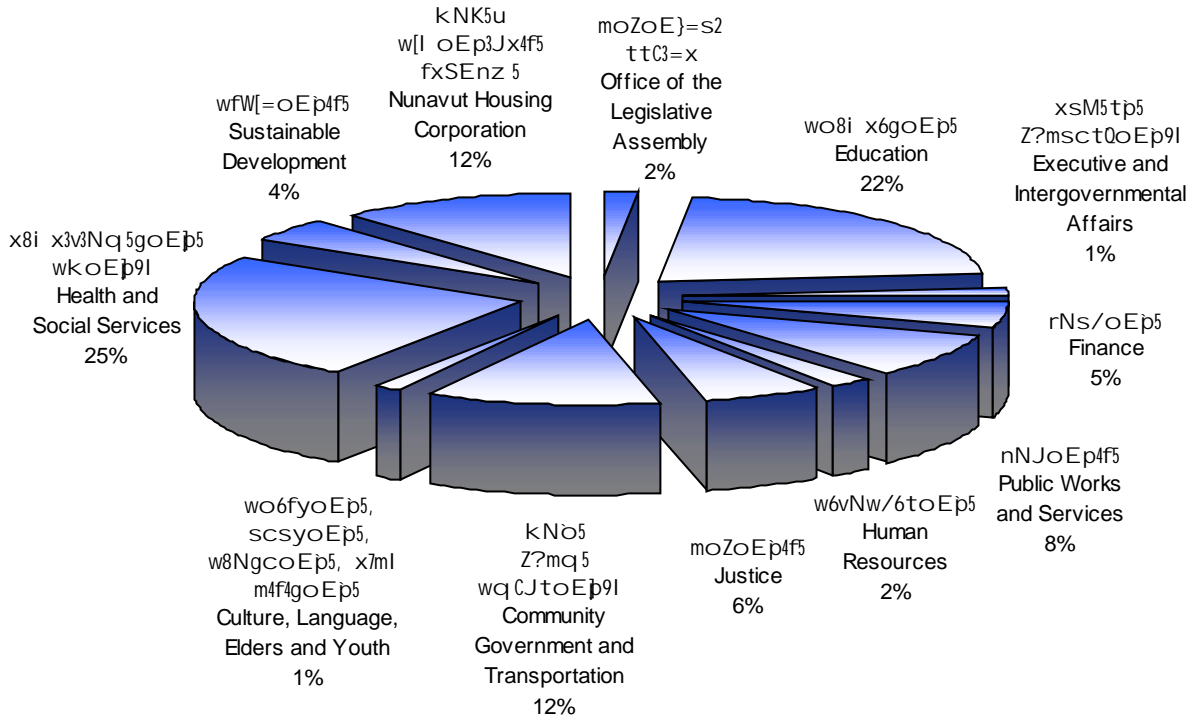
SUMMARY FINANCIAL INFORMATION



GOVERNMENT OF NUNAVUT

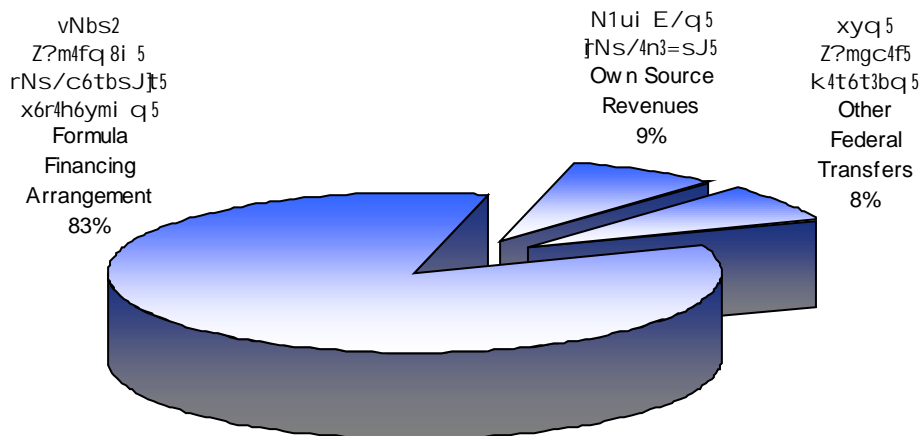
rNs/5 Nu xrosbsi x3mž b

WHERE THE DOLLARS WILL BE SPENT



rNs/5 Nr8ž 3mž b

WHERE THE DOLLARS COME FROM*



*Revised since Main Estimates printed

Summary of Fiscal Position*

Government of Nunavut, 2003-2004 (\$ Millions)

	2003-2004 Main Estimates	2002-2003 Revised Estimates	2002-2003 Main Estimates
Total Revenues**	804.5	728.5	745.5
Expenditures			
Operations and Maintenance	700.0	694.9	689.6
Capital	143.1	122.0	70.3
Total Expenditures	843.1	816.9	759.9
Unadjusted Surplus (Deficit)	(38.6)	(88.4)	(14.5)
Estimated Supplementary Requirements			
Contingency Reserve			
Capital Projects Carried Over			
Other Supplementary Requirements		(23.6)	(16.0)
Estimated Appropriation Lapses			
Operations and Maintenance	15.0	15.0	17.0
Capital	12.0	15.0	15.0
Operating Surplus (Deficit) for the Year	(11.6)	(82.0)	1.5
Accumulated Operating Surplus (Deficit)			
at beginning of the Year	14.2	96.2	96.2
Accumulated Operating Surplus (Deficit) at end of the Year	2.7	14.2	97.7

*Presented on a cash flow basis.

**Revised since Main Estimates printed.

Totals may not add due to rounding.

Summary of Revenues*

 Government of Nunavut, 2003-2004 (\$ Millions)

	2003 - 2004 Main Estimates	2002 - 2003 Revised Estimates	2002 - 2003 Main Estimates
Formula Financing Arrangement	664.4	606.3	632.6
Other Federal Transfers	65.1	57.4	49.2
Total Federal Transfers	729.6	663.7	681.8
Own Source Revenues			
Personal Income Tax	18.7	16.0	10.2
Corporate Income Tax	4.1	2.1	1.5
Fuel Tax	4.5	4.5	4.0
Property Tax and School Levies	3.2	3.2	3.0
Tobacco Tax	7.0	6.5	7.8
Payroll Tax	5.9	5.1	4.5
Insurance Taxes	0.4	0.4	0.3
Liquor Commission Net Revenues	2.0	2.0	2.0
Power Corporation Dividend	2.0	0.0	2.3
Rental Recovery - Staff Housing	11.4	9.8	9.4
Other Revenues	15.6	15.1	18.6
Total Own Source Revenues	74.9	64.8	63.6
Total Revenues	804.5	728.5	745.5

*Revised since Main Estimates printed
Totals may not add due to rounding.

Summary of Total Expenditures

Government of Nunavut, 2003-2004 (\$ Millions)

	2003-2004 Main Estimates	2002-2003 Revised Estimates	2002-2003 Main Estimates
Legislative Assembly	13.0	14.6	14.6
Executive and Intergovernmental Affairs	10.5	11.1	11.1
Finance	44.5	49.9	47.4
Human Resources	19.4	20.1	20.0
Justice	47.6	45.3	44.9
Public Works and Services	71.6	69.9	65.2
Community Government and Transportation	99.2	101.0	86.8
Culture, Language, Elders and Youth	10.3	9.7	9.3
Education	184.0	179.0	172.0
Health and Social Services	207.4	166.1	156.9
Sustainable Development	37.8	39.8	37.9
Nunavut Housing Corporation	97.8	110.3	93.9
Total	843.1	816.9	759.9

Totals may not add due to rounding.

Summary of Operations and Maintenance Expenditures

Government of Nunavut, 2003-2004 (\$ Millions)

	2003-2004 Main Estimates	2002-2003 Revised Estimates	2002-2003 Main Estimates
Legislative Assembly	13.0	14.3	14.4
Executive and Intergovernmental Affairs	10.5	11.1	11.1
Finance	44.5	49.5	47.4
Human Resources	19.4	20.0	20.0
Justice	46.1	44.2	44.2
Public Works and Services	60.9	59.3	58.9
Community Government and Transportation	72.0	69.6	69.7
Culture, Language, Elders and Youth	9.2	8.7	8.7
Education	160.0	155.5	152.5
Health and Social Services	151.6	151.0	151.0
Sustainable Development	35.3	35.5	35.5
Nunavut Housing Corporation	77.5	76.2	76.2
Total Operations and Maintenance	700.0	694.9	689.6

Totals may not add due to rounding.

Summary of Capital Expenditures

Government of Nunavut, 2003-2004 (\$ Millions)

	2003-2004 Main Estimates	2002-2003 Revised Estimates	2002-2003 Main Estimates
Legislative Assembly	0.0	0.3	0.2
Executive and Intergovernmental Affairs	0.0	0.0	0.0
Finance	0.0	0.4	0.0
Human Resources	0.0	0.2	0.0
Justice	1.6	1.1	0.7
Public Works and Services	10.7	10.6	6.3
Community Government and Transportation	27.2	31.4	17.1
Culture, Language, Elders and Youth	1.0	1.0	0.5
Education	24.0	23.5	19.5
Health and Social Services	55.8	15.2	5.9
Sustainable Development	2.5	4.4	2.5
Nunavut Housing Corporation	20.3	34.1	17.7
Total Capital	143.1	122.0	70.3

Totals may not add due to rounding.
