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Building *Nunavut* Together  
*Nunavu* liuqatigiingniq  
Bâtir le *Nunavut* ensemble

# Budget 2016-2017

Budget Address

Delivered in the Legislative Assembly  
By the Honourable Keith Peterson, MLA  
Minister of Finance

February 2016







# Budget Address

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Mr. Speaker, I rise to provide Members of this Assembly with details of the government's budget for the coming fiscal year. Before I begin, I want to thank all members for the support you have given me, my departmental officials, and the government.

This is the eighth budget address that I have delivered. Each budget address has given me an opportunity to step back and reflect on what we are trying to get done. Developing the budget is really about developing our future, about delivering services to Nunavummiut today, tomorrow and well into the 21<sup>st</sup> century.

We are on the path named Sivumut Abluqta, Stepping Forward Together. We are developing a Nunavut that is strong and prosperous. A Nunavut where people look forward with hope. A Nunavut that works for everybody.

We are making progress. Inuit values and traditional knowledge are taking hold in our government, and our daily lives. Our children are learning in their own language about the world they will inherit. More people are finding jobs in the modern economy.

And yet, we still have work to do. In Sivumut Abluqta we said Nunavummiut would be more self-reliant, and optimistic. Our families and communities would be stronger, more resilient. Our natural resources would be used in sustainable ways, for the good of Nunavummiut today and future generations. And our government would use its resources responsibly, and wisely.

This budget moves us forward toward realizing our vision.

## **Economic Outlook**

In a moment, I'll step through the budget in detail. Let me first provide some context by looking at developments in the territorial economy.

According to the Conference Board of Canada, Nunavut should see an inflation-adjusted growth rate this year of 1.2 per cent. That's acceptable performance when one considers the broader picture in global commodity markets. Metal and mineral prices fell more than 10 per cent last year, according to the Bank of Canada. Since 2011, they've fallen almost one-third.

The forecast for one per cent growth assumes a few things. First, that Baffinland continues to ship from its mine at Mary River. Also, that three public sector construction projects remain on track for completion next year. They are the airport and the aquatic centre here in Iqaluit, and the Canadian High Arctic Research Station in Cambridge Bay. We should add the Nanisivik naval facility, due to open two years from now. And in my region, the Kitikmeot, we look forward to TMAC Resources starting up mining operations at the Hope Bay mine next year.

This steady, inflation-adjusted growth means more people are finding work, and more people are entering the wage economy. Those are important steps forward. Last year the number of jobs grew by about three per cent, with almost all those new jobs held by Inuit. We're going in the right direction. At the same time, we'll need to grow the economy faster in order to provide jobs to young Nunavummiut who will soon leave school.

### **Budget situation**

With that overall picture in mind, let me turn now to the details of this budget, and to revisit the word "prudence." The members who have served with me since my first budget address in 2009 know all about prudence. It has guided our budgets, and it has served us well. We have used taxpayer dollars cautiously, and moved from deficit budgeting to producing modest surpluses.

For the current year ending next month, we project revenues of \$1.68 billion. Next year we expect revenues will rise less than one per cent to \$1.73 billion. We will generate nearly nine per cent of next year's revenue through taxes and other sources in Nunavut. I should note that we are not announcing any tax measures in this budget.

On the expenditure side, I expect our operations and maintenance this year will cost just under \$1.48 billion. That's up nearly four per cent from last year.

Looking forward, we plan to spend \$1.54 billion next year on operations and maintenance, and capital. Again, our growth rate is four per cent compared to this year.

Our capital budget next year is \$197 million. That amount is in line with our average capital budget over the past few years.

We will also put \$30 million aside for contingencies — things that will arise during the year that we cannot foresee today.

And so, our total spending next year, for operations and maintenance, capital projects, and contingencies, should reach \$1.73 billion. This brings me to the bottom line, a deficit of \$3.9 million.

Let me focus for a moment on that deficit, and then on our overall financial condition.

The projected deficit, at \$3.9 million, represents about one-third of one per cent of our total spending. In other words, it's very, very small. The more that we manage our funds prudently, and the less that we draw on our contingency funds, the more likely we will be to show a small surplus at the end of the year.

You will recall that the federal government recalculated its funding to our government in December and announced that they were reducing their transfer by about \$34 million for 2016-17. My federal counterpart announced last week that \$26.1 million of that amount will be restored through changes to the Territorial Formula Financing Agreement.

I am pleased to see the new government's approach to working with its northern partners, and with Nunavut in particular. I can only hope that this spirit of cooperation extends to other issues, and especially to housing, where we truly face pressing needs.

For fiscal 2015-16, this year, I expect to close the books next month with a small surplus of \$16.2 million, just slightly lower than the original forecast of \$23.8 million that I presented at this time last year.

Now that we have the annual numbers in view, let us turn for a moment to the broader picture of our financial health. Government borrowing remains firmly under control. We borrow only for capital projects—those infrastructure projects that Nunavut badly needs, like schools, public buildings, and airports. We never borrow to fund our operations and maintenance.

We will end the year with borrowings on our books worth \$324 million. This is well within our borrowing limit of \$650 million.

## **Resilient people**

Let me turn now to the details of our financial plan for the coming year.

In Sivumut Abluqta, this government said education is the key to our future. We would improve the basics of reading, writing, math and problem solving. We would better help students to graduate, and better prepare graduates for college, university, and jobs.

The Education department's budget will rise 1.4 per cent next year to \$205 million. This includes \$1.9 million to support inclusive education in our schools.

Over the course of the next year, the Department of Education will respond and work to implement the recommendations of the Special Committee to Review the *Education Act* with the goal of amending this important legislation and overhauling its regulations. These steps will help ensure that we deliver quality instruction, and help students to get better results.

The department will continue to encourage school attendance by working closely with the district education authorities and with parents. You will already have seen ads on TV, and other promotional items. The government is working with NTI and ITK to launch a family engagement website, so parents can get better involved. By pulling together, we can help students to improve their marks, and get a better shot at college and university, and good careers, either here at home or anywhere in Canada.

Our government continues to promote Inuktitut literacy. In learning Inuktitut, our children learn who we are. They learn about the traditions and skills, and the self-reliance, that enabled Inuit not only to live here but to thrive. They learn skills that benefit them in both the traditional and modern economy.

To give our children a better start in life, the Department of Education will promote early childhood education. It is reviewing its programs and the *Child Day Care Act*, and planning program updates and improvements in the coming fiscal year.

At the same time, the government will review the Adult Learning Strategy to figure out how we can better develop people to thrive in the modern economy. And the Department of Family Services will review our labour-market development programs to see that people get better information about where to find rewarding jobs.

As a government, we are committed to working with NTI as they establish the Inuit Training Corporation, using funds from the settlement of their lawsuit with Canada. This corporation will bring unique opportunities to Inuit in obtaining higher education and training to further strengthen the territory's workforce.

We will also share access with the Government of Canada to \$50 million in training funds to strengthen our Inuit workforce and enable us to fulfill our obligations under Article 23 of the NLCA.



## **Strong communities**

As we work to prepare people for a better future, we are also working to strengthen our families and our communities. We will provide the Department of Family Services with an additional \$13.5 million next year, a rise of nearly 11 per cent.

This will help the department to reform our approach to social assistance, so we can make sure the people who get support truly need it. The department's Children and Family Services branch gains \$5.5 million to improve residential care, services to protect children and reduce family violence. The branch will put in place family violence prevention initiatives, including hiring another violence-reduction specialist, and increasing support to family violence shelters.

The Social Assistance program, meanwhile, gains nearly \$8 million, a 20 per cent rise. This \$45 million program helps people buy shelter, utilities and food. We know that Nunavummiut need more.

Family Services has already held a Poverty Reduction Roundtable on Income Assistance. It continues to engage the public in discussions that include possible changes to daycare subsidies and fuel subsidies for senior citizens. And the government has decided that it will not include the National Child Benefit Supplement or replacement program when it evaluates social assistance applications. This will provide more help to the families that need it the most.

To further help families, our government aims to strengthen our communities through better services. The Department of Community and Government Services will receive almost \$8.2 million more next year. About \$1.5 million of this increase will flow directly to communities through transfer payments now approaching \$61 million. The remaining \$6.7 million will strengthen services to community governments and their ability to deliver services locally. This includes a \$1.6 million increase in emergency preparedness management.

Our government also plans to support our communities through clinical expertise to address mental illness and addictions. Our budget provides the Department of Health with nearly \$21 million more. This spending rise of six per cent is focused almost entirely on improving front-line service delivery. The department will deliver greater support for home care and community care, hospitals and doctors, community health centres, and medical transportation.

The health department will spend nearly \$5 million to improve care for mental health and addictions. The department will also propose new legislation on public health and mental health. Extensive consultations on the mental health legislation will continue through the winter. At the same time, the health department is well on its way to filling all vacant positions for mental health positions in the communities.

Our government is also working through the Department of Health and its partners to strengthen suicide prevention. The health department will bring forward a new one-year, fully funded action plan under the Suicide Prevention Strategy.

Strengthening communities also requires us to focus on cutting crime. Our budget provides an additional \$4 million next year to law enforcement.

The Justice Department is placing emphasis on restorative justice, which focuses on victims and the community, as well as the offender. And Justice continues to focus on best ways to bring offenders back into communities in ways that reduce the risk that they will offend again.

This government will provide further crime-fighting support through a new law to allow civil forfeiture. This would allow authorities to seize money and property from bootleggers and drug dealers, making sure that crime does not pay.

## **Economic growth**

Sivumut Abluqta guides us in a third area, the economy. Our investments in Nunavummiut and our communities will be rewarded when people have opportunities, when they can shape their future.

Across the territory, we favour a balance between entrepreneurship and sustainable development. We have resources that can support and improve our way of life today. We develop them so that future generations can do the same.

This approach requires us to use sound regulatory processes to manage our resources responsibly. It means that our wildlife management system delivers benefits today, and forever.

Looking first at hunting, the government is developing a Hunter Education Program to teach harvesting skills and firearm safety. The Environment Department is making good progress in this effort, and expects to put the program fully in place in the coming year. We will also

bring forward new and improved programs and supports for harvesters in the coming year while remaining within the current budget.

We are also setting in place a well-grounded wildlife management system. Already we have established management plans for polar bears, Peary caribou and Baffin Island caribou. The government is consulting communities and partners now about grizzly bears. We expect to have that management plan in place next year.

Not everyone understands that our wildlife management system delivers good results. In particular, foreign governments and animal-welfare interest groups need a better perspective on polar bears.

Inuit have managed the polar bear population responsibly and sustainably for centuries. Together with other governments in Canada, we are developing a website and communications materials to show polar bear conservation as a success story. We are also preparing material for use in schools that will focus on polar bears, caribou and ringed seal.

In other sectors, we will implement the 2016 Fisheries Strategy to develop fisheries on- and off-shore that are healthy and sustainable. We will also implement the recommendations from our review of the Commercial Fish Freight Subsidy program. And we will continue to lobby the federal government for the development of small-craft harbours.

We are also advancing work to support our tourism sector more effectively. Through a tourism impact study, we will learn how and where we can attract more visitors. And we'll gain some promotional opportunities by hosting the Canadian Council of Tourism Ministers meeting this year.

For cultural industries, our recent consultations with the sector are leading to a new strategy. The immediate question we face is whether the strategy should focus on visual arts, as it does now, or whether we should broaden our vision to include all art forms.

We are also determining whether we can support an art school, and whether the Nunavut Arctic College would be the appropriate home. Over the next few months we will resolve these questions and move forward with stronger support for our cultural sector.

In all of the sectors that we have just talked about, and more generally in all of Nunavut, the government is working to simplify rules and help businesses to grow. This approach raises two issues that we will resolve in the coming year.

The first of these is the NNI policy. It's clear from the business community that we need to rework this policy to improve their opportunities for success. We will do so. We will also

provide a guide written in plain language, so that eligible entrepreneurs fully understand the advantage that NNI provides them.

The second issue is about land that could perhaps be used in a better way to support economic growth. The question is whether our municipalities should be allowed to sell land that they control. Nunavummiut will answer that question on May 9<sup>th</sup> in a referendum across the territory.

Right now our focus is to help people understand what this vote is about. A “yes” vote will mean that a community can sell certain lands to an individual or a company. A “no” vote means the community can lease the land but keep ownership. Our government is holding information sessions in all communities to explain the options and their impacts.

### **Good government**

In pursuing our Sivumut Abluqta goals of responsible resource development, stronger communities and self-reliant people, our government must make sure that we use our own resources very wisely.

Nunavummiut require us to get the best work from government employees, and best value from every dollar. They expect us to deliver services effectively and efficiently. And they anticipate that our government will reflect the people that we serve.

The government continues to recruit into the civil service. Our most recent report shows that we have filled slightly more than 70 per cent of the available positions. We are aiming to increase this to 80 per cent by the end of the next fiscal year.

Today the civil service is 50 per cent Inuit. While we expect this proportion to hold steady over the coming year, we continue our efforts to create a civil service representative of our population.

Our government continues to improve its capacity to deliver services effectively and efficiently. Through training and development, public servants can advance their careers. The government has put in place a Leadership Development Program that will focus in the coming year on senior managers, emerging leaders and supervisors.

We are also taking steps to ensure that our employees find the Government of Nunavut is a safe and productive place to work. We will continue to show zero tolerance for harassment. We have updated our policies, and distributed them to our employees. Each and every

employee must know, and will know, that bullying and harassment will not be tolerated in the government workplace.

Earlier this month I participated in our first seminar on harassment. We delivered it in Cambridge Bay, and linked to Gjoa Haven and Kugluktuk by video. There will be many more, with participation by our Deputy Minister, the Director of Employee Relations, the Comptroller and Assistant Comptroller General. The government's entire management team will receive this training, and we will provide anti-harassment awareness seminars to all government staff.

We are also making progress in our financial and resource management. The Department of Executive and Intergovernmental Affairs and the Department of Finance have launched an operational audit. It is looking at what we're doing well, and what we could do better. The first phase is complete. The audit looked broadly at the government's operational efficiency and effectiveness. Moving into the second phase in the coming fiscal year, the audit will focus on specific programs and develop recommendations on what we need to improve.

At the same time, my department has launched an audit of grants and contributions by all departments. The audit has reviewed all departments' policies for this discretionary spending. Next, it will examine our expenses to see that they follow the rules.

The Department of Finance has also launched a comprehensive review of our taxation system. We collect more than \$100 million a year from Nunavut taxpayers. We need to know that the rates and structure of our taxes are efficient, effective and, especially, that they are fair. We are well into this work, and I look forward to providing an update in the coming year.

At the same time, we are working with all departments as they implement our new budgeting system. We are now all using the same system with a three-year forecast and standardized variance reports for operations and maintenance, and a five-year plan for our capital spending.

In these ways, Mr. Speaker, we are delivering on our commitment to deliver public services for the best possible price, and in the best possible way. We also demonstrate our capability to govern, and to take on the additional programs and services that would follow an agreement on devolution.

We look forward to renewing our negotiations with the federal government and NTI. In renewing our talks, the federal government would demonstrate a fresh start in relations

with Inuit, and all Nunavummiut. Our goal remains to reach an agreement that respects Nunavut's unique characteristics and needs.

### **Conclusion**

Mr. Speaker, there you have it — a look ahead into the next fiscal year. Our fiscal plan provides the government with the resources it needs to move us ahead. Stepping forward together, Sivumut Abluqta, is bringing us closer to our goals. We are building on our accomplishments, embracing our challenges, and determined to make progress.

I want to thank all members of this house for your continued support.