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

# Budget 2017-2018

Budget Address

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

February 2017

# Budget Address

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Mr. Speaker, today marks the ninth time that I have stood in this house to present a budget. I want you and my fellow caucus members to know that I greatly appreciate your confidence and your support. Together we have come a long way, and we are working together very well to deliver a better future for Nunavummiut.

## **Fiscal overview**

Let me begin with a broad view of our financial situation. In one word, it's "balanced." For the current year that ends March 31<sup>st</sup>, our budget projects an operating surplus of \$4 million. When we consider the adjustments we expect to make between now and year-end, we can forecast a relatively small deficit of \$11 million. I say, "relatively small," because this deficit amounts to one half of one per cent of all our spending. Essentially we will end the year with the books in balance.

As for the year that begins April 1<sup>st</sup>, I am forecasting a surplus of about \$2 million dollars. Again, in the big picture, this small surplus really means that our budget is balanced.

Our revenues next year should reach \$1.981 billion, up five per cent from this year's revised estimate. We will spend \$1.918 billion, which is up less than three per cent. And I have prudently set aside \$40 million for contingencies.

It's worth looking at the source of our revenues, so that we can fully understand how we've arrived at a balanced budget, and whether we are able to meet the needs of Nunavummiut.

Our revenue, now approaching \$2 billion dollars, includes about \$200 million of revenue to be collected from Nunavut. We collect most of that \$200 million through income taxes, rent for staff housing, service fees, revolving funds and other sources. We collect what is fair, reasonable, and relatively affordable for Nunavummiut.

As we develop our territory, and give full meaning to self-government, we will reduce our dependence on the federal government. We will find our own way. But we are not there today. Our economy is not yet large enough to support the range of public services Nunavummiut deserve.

Think about this: For every \$1 our government receives, just over 10 cents comes from Nunavummiut. Most of the rest comes from the federal government.

I mention this for two reasons. The first is the federal government's contribution to our finances. The Territorial Financing Formula will provide us with over \$1.5 billion in the coming fiscal year. We are about to begin discussions with the federal government about renewing this funding arrangement.

The second reason I mention our own-source revenue is this: In the future, we should expect federal funding increases to be very modest.

We can see the trend. Over the past five years, the Territorial Financing Formula has grown by about five per cent each year. Looking ahead to the next five years, we expect annual growth of just over three per cent. At the same time, the federal government is cutting the growth rate in the Canada Health Transfer from the current six per cent down to three per cent. For Nunavut, this slower growth reduces our flexibility, and our ability to deliver the programs and services that Nunavummiut need.

We can easily understand that the federal government must balance competing priorities. My point is that the federal government's decisions won't always work in our favour. And, let's recognize that federal transfers are not large enough to meet our many and growing needs. If we are to meet our vision of a better, stronger Nunavut, then we must do all that we can to help grow our own economy.

Economic development is one of the government's four priorities, as described in *Sivumut Abluqta*. The other priorities are to support Nunavummiut to develop self-reliance and optimism, develop healthy families and strong communities, and improve our government's ability to deliver results.

In implementing the *Sivumut Abluqta* action plan, we are making good progress. The government will issue a report later this year to show what has been accomplished, and where we need to focus our efforts.

## **General outlook**

The economy is, of course, the foundation for growth and development. We can be cautiously optimistic. The outlook is encouraging, but not rosy. The Conference Board of Canada forecasts our economy will grow 4.9 per cent this year, excluding inflation.

The global mining sector has had a difficult year. But some analysts think things will improve soon. Commodity prices may remain low this year. But gold and iron prices have begun to bounce back. That may encourage more mining production and exploration.

Certainly we are already seeing encouraging signs here at home. Production continues at the Mary River iron mine, and the Meadowbank gold mine. TMAC Resources recently produced its first gold at Doris North, and is seeking permits to expand its operations. Last week Agnico Eagle gave the go ahead on its Meliadine and Amaruq projects. And other projects continue to advance, including Chidliak, Izok Corridor, Whale Tail, and Back River.

The success of our mining sector is very important to our future. It is a key driver in growing, and diversifying, our economy, and in providing jobs outside of government.

At the end of last year, 13,500 Nunavummiut had jobs. That's up 800 from the year before. Almost all those new jobs were occupied by Inuit. The unemployment rate at 14.9 per cent was down a full percentage point from the previous year.

## **Economic development**

These signs look good. But let's be clear that we need a great deal more economic growth, steadily and over time. We are going to need more jobs. Today more than 10,000 Nunavummiut are in school. When they graduate, they will need to find their way in life. That compels us to plan wisely, and to invest carefully so that our children find, and create, opportunity.

That brings me to a discussion about the investments we need to make.

Our most pressing investment needs are very clear. We need to help Nunavummiut get skilled up for a fair shot at better futures. We need better housing, so kids can study, and parents can help them learn. We need better transportation between our communities and with the markets for what we sell. We also need better communications systems.

To be sure, we have already started. We are all looking forward to opening the new Iqaluit airport this summer. And we're building marine infrastructure in Iqaluit and Pond Inlet. These marine projects will greatly improve the sealift and fisheries. This budget commits another \$26 million over three years to get those projects done.

But there are other projects with big potential to help us develop. I'm thinking about the road and port proposed for Grays Bay. At nearly \$500 million, this would be a record investment in the Kitikmeot. It would create major opportunities. The federal government's own transportation review said so last year. A road from Yellowknife to the coast of Nunavut would cost nearly \$2 billion. But it would also lead to nearly \$40 billion in

development projects. An Arctic gateway to the world would significantly increase economic activity in Nunavut. But we cannot build it without federal government support.

We know that the federal government is open to projects that make a difference in people's lives. We see this in their \$68 million investment to improve Nunavut's water systems and waste treatment. And we welcome the federal government's commitment to share 75 per cent of the upgrade costs. They should extend their infrastructure support to the Grays Bay road and port. The project will make a real difference for Nunavut. Together with the Kitikmeot Inuit Association, we will continue our discussions with the federal government about moving this project forward.

We are also talking with them about our proposal to build a road from Churchill to Arviat, Whale Cove and Rankin Inlet. As the Premier has said, we're seeing some movement on our proposal, but not enough yet. We continue our efforts as part of the Hudson Bay Regional Roundtable.

We will also continue to press the federal government about our critical need for more housing. This year we will build 17 housing units for staff, and 90 units for public housing. Next year, another 95 public housing units. But clearly we need many more, as overcrowding remains a serious issue. Using national standards, three in ten of Nunavut's housing units are overcrowded.

It's not just about providing better shelter. Better housing would reduce stress, reduce mental health challenges, and reduce family violence. Investments in housing mean better health care and fewer people relying on income support.

In the coming year, the Nunavut Housing Corporation will launch the government's Blueprint for Action on Housing. This plan addresses our housing crisis over the long term. By long term, I mean a decade or two. In building the plan, government departments, stakeholders and builders all agreed on what we must do. The plan includes 60 specific actions, and we will get them done. But the one thing that the Blueprint does not have, and that it critically needs, is enough federal funding. We will continue to seek federal support.

As we invest in housing, roads, marine infrastructure and other projects, we will also invest in people. We will help them find better jobs, better quality of life, and better futures. We must find a path away from poverty, and away from income support. We should all be concerned that our income support spending over the past six years has increased 60 per cent. Today nearly two in five Nunavummiut use some form of income support. We need to break these chains of poverty. Think of what would be better. Less food insecurity, better

health, better grades in school, better paycheques, fewer problems with drugs and alcohol, less family violence. It's all related to poverty, and we must find a way out.

Education is our top priority. It is the key to developing people with technical, scientific and professional skills. These are essential in the modern economy. Without these skills, without these skilled people, we will not get far in the modern world.

Look back to the Auditor General's report in 2010. At that time, roughly ten years into our territory's existence, we had focused on hiring Nunavut Inuit. We aimed then, as we do now, to create a civil service that reflects the population that it serves. But the Auditor General pointed out that our approach would need to change. Sheila Fraser told us we needed people who are, in her word, "qualified" to provide government programs and services.

Look back even further. Eleven years ago, Justice Thomas Berger said it is impossible to consider the objectives of Article 23 of the Nunavut Land Claims Agreement without considering that a vast majority of government jobs have educational qualifications.

That was why our government, beginning with the Third Assembly, set out to address this skills issue through our human resources strategy. And I will say more about that strategy in a moment. The main solution to the issue lies in improving education.

Let's celebrate the news that our schools are graduating more students. At the same time, let us also recognize that too many Nunavummiut leave high school without a diploma. Passing grade 12 is the foundation for future success. In this budget we will invest \$850,000 to improve support services in our schools. We will help families to support their kids' education. We will improve early childhood education programs, improve Inuit Language teaching in elementary schools, and hire more Inuit teachers.

We will train young men and women for government careers. Our internship program is part of the answer. So is our Summer Student Employment Equity program. Last summer, the government hired 249 students across the territory. That's a good-news story. This year we want to hire even more.

We will improve labour-market training for adults and help them prepare for better jobs. We will give Nunavut Arctic College an additional \$1.3 million to help fund its Social Worker and Early Childhood Education programs. The College will also help Nunavummiut to become better entrepreneurs and stronger managers. And, starting this fall, it will launch a

four-year law program, in partnership with the University of Saskatchewan, to graduate lawyers who know our territory. That law program represents a \$1.6 million investment.

Through all of these measures, we are helping Nunavummiut to take part in the market economy. We are also working to make it easier for Nunavummiut to grow their businesses through sales to this government. The new NNI policy takes effect April first. The government will launch a plain-language guide that explains the new rules. And we'll run an awareness campaign so that people know how they can do business with us.

The Department of Economic Development and Transportation will receive \$2.5 million next year to help communities to build more access roads, and to improve dust control. At the same time, the Environment Department will begin work to update the Nunavut Sealing Strategy. It will improve both the Commercial Fish Freight Subsidy program and the Fisheries Development and Diversification program.

In the tourism sector, we will begin a program of targeted training and certification, and develop a new strategy to promote our cultural industries. And we will improve support for the Nunavut Arts and Crafts Association, and the Film, Television and New Media program.

And we will continue support for responsible and sustainable petroleum exploration in Baffin Bay and Davis Strait. At the same time, we remain very concerned about the federal government's ban on new licencing in Arctic waters. As the Premier stated in December, it is critical that Nunavummiut are part of the discussions about our economic future.

This is yet another reason why we look forward to progress in our devolution negotiations. Self-government compels us to gain greater control over natural resources. We cannot afford to have more surprises, like this ban on developing resources we consider to be our own.

### **Stronger people and communities**

As we open the doors to a strong and prosperous future, we are also concentrating on strengthening our communities with healthy families and individuals.

This budget provides the Health Department with \$353 million dollars next fiscal year. That's \$12 million more than this year. It's a rise of 3.5 per cent. It represents this government's single greatest expenditure. Our focus remains on healthy living, injury prevention, and helping people to overcome substance abuse and addictions.

Improved mental wellness is essential to our success. That is why our government has given the Health Department \$6.6 million to set up the Quality of Life Secretariat. This new unit will support community and wellness organizations. It will also operate mobile trauma response, support the Embrace Life Council, and help fund a 24-hour crisis help line.

Mental wellness also accounts for most of the \$3 million in new funds for health-care service delivery. We will expand community-based services for mental health and addictions.

In addition to supporting individuals, we are strengthening our communities. We will help them to deter drug dealers, bootleggers, and the other criminals whose actions hurt people's health and safety.

Our efforts take on extra significance this year with the opening of a beer and wine store in Iqaluit. As the Minister responsible for the Liquor Licencing Board and the Nunavut Liquor Commission, and the Minister of Justice, I have a particular interest in this matter.

As this house knows, the government issued a detailed plan last October on steps to reduce the harm of alcohol. As the Nunavut Liquor Act Review Task Force said, freer access to beer and wine is a way to disrupt bootleggers, and to reduce the harm caused by binge-drinking hard liquor. Our new beer and wine store is another step in harm reduction. We will use further harm-reduction strategies, including an awareness campaign to encourage healthy and informed choices.

Strengthening communities also means keeping them safe. The RCMP signed a shared direction agreement with our government last fall. They made a commitment to provide services that are efficient, effective and culturally relevant. And we agreed to review our work so we will all know if we are meeting our objectives.

The RCMP are concentrating on three areas: communication, communities at risk and crime reduction.

Guided by this agreement, the RCMP will put nine new constables on the streets in Cape Dorset, Pangnirtung, Baker Lake, Arviat, Rankin Inlet, Gjoa Haven and Iqaluit.

As well, the Mounties will continue to work closely with our communities. They're focused on communicating better in the Inuit Language, improving our criminal intelligence system, and upgrading crime-prevention programs. The RCMP and our government are helping Nunavummiut to understand the risks from alcohol and drugs.



Addictions, substance abuse, and mental illness all strain our court system. Rising caseloads mean people wait longer for justice to be served. We will expand the Justice of the Peace program into more communities, and by offering training and other supports to our Justices of the Peace so we can resolve cases that don't require involvement by a judge. We will also provide more programs and support services for victims of crime.

At the same time, we will step up funding to the Community Justice Program. We are helping communities to lead restorative justice efforts that help victims, hold offenders accountable, and address the root causes of crime.

## **Improving government**

Now that we've talked about strengthening our people and our communities, and about developing a stronger economic future, let me focus now on the government itself. After all, we have work to do so we can deliver our programs and services efficiently and effectively.

We said in *Sivumut Abluqta* that we would review government programs. We wanted to see which worked well, which needed fixing, and where we should concentrate our resources. We completed many reviews. Each department received recommendations for improvement. Now departments are working with the Department of Finance and the Department of Executive and Intergovernmental Affairs to review how we manage shared services. That includes human resources, our computer systems, and our procurement.

Perhaps our most significant review focused on our Human Resources Strategy. After all, the efficiency and effectiveness of government will be highest when we have the right person, in the right job, at the right time, making the right decisions. That's what we need to deliver the highest quality programs and services within our limited resources.

Three years ago, we established the Human Resources Strategy. We said we would increase Inuit employment, recruit skilled people, develop our employees, and improve our service to the public. We also said we would gather better data for making decisions. We are working on all of these things.

We have made several improvements. We have introduced a policy on workplace harassment. We are providing anti-harassment training that promotes a respectful workplace, and have trained nearly 500 employees to date. We are better supporting individuals who return to work, and are training our managers about their responsibilities to accommodate employees' needs. We are supporting breastfeeding mothers in the workplace. We have appointed an Ethics Officer. We are developing programs to train and

support employees, and to develop and engage managers and leaders. We will become an employer of choice.

The bottom line is that we are making significant progress in improving our human resources, including staffing, training and Inuit employment. We will see that anyone who works for the government, or applies for a government job, is treated fairly and equitably.

On staffing, I can report that Inuit employment in government remains around 50 per cent. The actual number of government-employed Inuit reached 1,762. If one looks back a few years, to 2009, one will see that the number of Inuit holding government jobs has risen by 257. In other words, the number of Inuit working for the government has risen. We continue to make progress.

Little more than a year ago, this government introduced restricted job competitions, making it easier for Inuit to join the public service in their home communities. Our successful internship program provides Inuit employees with on-the-job opportunities to acquire management skills.

Last fall, EIA reorganized the *Sivumuaqatigiit* Division to focus only on meeting our targets for Inuit employment. The Public Service Training Division is reporting strong Inuit participation in its leadership program, almost 80 per cent. Just last week, 15 participants successfully completed the Senior Managers stream of the program. At the ceremony, Dalhousie University agreed to recognize graduates of the program with course credits at the postgraduate, or Masters, level. These types of partnerships create even more opportunities for our public servants to advance their training and development.

Yes, we have a way to go before the public service fully reflects the people that it serves. Yes, we have our challenges in finding the right people, and I talked a few minutes ago about how our education system will help fill that gap. The important thing to remember is that we are making progress. And we will continue to work towards becoming a representative public service.

## **Conclusion**

Mr. Speaker, while I'm talking about the public service, I'll just mention that I'm grateful to the many public servants who have helped shape this fiscal plan. I want to express my appreciation to all departments, agencies and territorial corporations. And, in particular, I thank my team at the Department of Finance.

As I said at the beginning, this is the ninth budget I've brought before this house. It is also the last Budget Address that I will deliver in this Fourth Assembly.

Looking back over this Assembly's work, our prudent approach to public money and property has been proven correct. We have steadily improved the programs and services that we provide to Nunavummiut. Large challenges remain, especially in housing and infrastructure. But we are increasingly able to meet these challenges by strengthening our people, our communities, our government and our economy.

We are delivering what this Assembly set out to do four years ago, and that's to build a better future for the people we serve.

Thank you.