

# **BUDGET ADDRESS 2001**

**GOVERNMENT OF NUNAVUT**

**THE HONOURABLE KELVIN NG**

*MINISTER OF FINANCE AND ADMINISTRATION*

FEBRUARY 27, 2001

FIFTH SESSION OF THE  
FIRST LEGISLATIVE ASSEMBLY OF NUNAVUT

ISBN # 1-55325-005-2

## **TABLE OF CONTENTS**

INTRODUCTION .....	1
OUR FISCAL PERFORMANCE .....	2
OUR PROSPECTS AND CHALLENGES .....	2
OUR FISCAL PLAN .....	6
OUR EXPENDITURES.....	8
CONCLUDING COMMENTS .....	15
APPENDIX: SUMMARY TABLES AND BUDGET PAPERS .....	17

## INTRODUCTION

It is with a sense of pride and optimism that I present the Government of Nunavut's budget for the 2001-2002 fiscal year. Pride in our collective accomplishments since our territory's birth a brief two years ago. And optimism about our continuing ability to address the many challenges that confront our young territory – challenges that must be overcome if we are to fully realize Nunavut's promise.

Before outlining our strategy for the coming year, I want to first thank my Honourable Colleagues – Premier Okalik, Cabinet, and Members of the Legislative Assembly – for your hard work and determination to make the Nunavut dream a reality. I also want to acknowledge and pay tribute to the dedicated employees of the Government of Nunavut who are delivering our policies and programs, and making meaningful improvements in the daily lives of Nunavummiut.

We have all learned much in our first two years. We have encountered the natural growing pains of any new government, discovering both our strengths and weaknesses. We have experienced the satisfaction of determining our own destiny. Yet, we also have found out there are tremendous responsibilities that come with this opportunity.

Mr. Speaker, the annual budget process enables government to outline how it intends to deliver its responsibilities. It allows us to gauge our progress and assess our ongoing needs. It establishes a fiscal framework and identifies financial priorities. It also explains to our constituents how we will use available resources to meet their needs and ensures our actions are in their best interest. As a democratically elected public government, we are accountable to all of the people we serve.

Members of this Legislative Assembly – indeed, all Nunavummiut – have both a right to know, and a need to understand, that we face an important turning point in Nunavut's history. We have made a very good start, but much more needs to be done.

During our first two years we have been fortunate to have a strong fiscal position due largely to savings in salary expenditures. This year's budget represents a more realistic picture of the fiscal situation that we face in the long term.

With this in mind, let me assure Honourable Members that this is a fair and responsible budget – designed to strike the right balance between responding to the needs of people in our communities, and demonstrating Nunavut's capacity to effectively manage our financial resources and govern our own affairs. The development of this budget plan has been guided by priorities identified by Nunavummiut and principles set out in the Bathurst Mandate.

## **OUR FISCAL PERFORMANCE**

Mr. Speaker, before outlining our plans and priorities for the coming year, I will first briefly review our fiscal performance for the 2000-2001 fiscal year.

As a result of lower than anticipated federal transfers, projected total revenues for 2000-2001 have been revised down to \$635.3 million. On the expenditure side, total budgeted requirements have increased to \$667.5 million, or \$28.4 million above what we initially allocated to spend. These additional expenditures were outlined in Supplementary Appropriation Bill Number One, which was approved by this Legislature in October. In addition, the government's fiscal position will be impacted by other expenditure adjustments, including the outcome of the current collective bargaining with the Nunavut Employees Union.

Our budget plan for 2000-2001 utilized part of the government's accumulated operating surplus that was projected at budget time to be \$34.1 million. It now appears that the Government of Nunavut began the year with an accumulated operating surplus of over \$61 million. This greater than anticipated operating surplus for the 1999-2000 fiscal year was largely the result of one-time salary savings and increased federal transfers. Additional information our first year of operation will be provided in our Public Accounts for 1999-2000 that will be tabled this session.

Mr. Speaker taking these changes into account, we now anticipate an operating deficit of \$38.4 million for the 2000-2001 fiscal year. This deficit will reduce the government's accumulated operating surplus to \$22.8 million.

## **OUR PROSPECTS AND CHALLENGES**

Now let me move to the prospects and challenges facing our government and the people of Nunavut. I'll start by examining our economic situation.

Mr. Speaker, Nunavut has an economy that is unique within Canada. We have a mix of traditional activities as well as significant economic development opportunities.

Government is the primary driving force in the territory's economic growth and is likely to remain so for the foreseeable future. The creation of our new territorial government has generated unprecedented economic activity and created a large number of jobs in many communities.

Nunavut's service sector will continue to grow and become a larger part of the economy. More long-term jobs throughout the territory will result in an increased demand for local services. As well, some services currently delivered from outside of the territory may be provided within Nunavut as the required skills and trades are developed locally.

As our government matures in the coming years, our challenge is to make sure the benefits of this activity reach as many people in Nunavut as possible. To ensure that happens, the Government of Nunavut remains fully committed to decentralizing our operations to bring jobs to all parts of the territory.

Mr. Speaker, even as this process unfolds our people must be certain they can depend on the land for their livelihood. It is vital that we support and strengthen traditional economic activities, such as harvesting.

Community-based and cultural industries such as arts and crafts continue to play a valuable role in Nunavut's economy. More than 10 percent of Nunavummiut generate some portion of their income by producing arts and crafts. Much of this production is exported to other parts of the country and worldwide. We see continued opportunity for growth in these community-based and cultural industries.

Our tourism sector shows promise of strong growth as well. Through the development of community-based tourism enterprises and hospitality infrastructure we can expand employment opportunities and economic activity in all of Nunavut's communities.

Mr. Speaker, the potential for natural resource development is particularly impressive, although still largely untapped. This potential is recognized worldwide. Each year the mineral exploration industry invests millions of dollars in our economy.

The opportunities created by a single mining development could be considerable. For example, the proposed Meliadine West gold property near Rankin Inlet could generate annual sales in excess of \$100 million and employ hundreds of people. There are many potential development projects within our territory, another example being the proposed Tahera Jericho diamond mine in the Kitikmeot.

Our renewable resources also hold much untapped potential, in particular Nunavut's fisheries prospects. Our government will work hard at developing the opportunities related to our fisheries and other renewable resources.

We are working towards a framework agreement pertaining to the management of non-renewable natural resources and actively seeking a Northern Economic Development Strategy with the federal government. Both of these initiatives could result in significant long-term benefits for our territory. Also, our special needs in areas such as information technology and skills for the knowledge economy must be addressed.

Mr. Speaker, let me be clear. While we are committed to improving economic opportunities across Nunavut, we will not do this at the expense of our traditional way of life. We strongly believe that we can encourage development and promote our traditions and culture while respecting our land and environment. We will continue to consult with

Nunavummiut in planning the development of our economy to be sure that, when it takes place, it is appropriate for our people and our culture.

We intend to work closely with our territorial partners, including Nunavut Tunngavik Incorporated and other Designated Inuit Organizations, as we introduce initiatives to encourage development in Nunavut. Together with our combined knowledge and resources we can produce greater benefits for Nunavummiut.

The finalization of the Nunavut Land Claim also has resulted in new opportunities in Nunavut. We are seeing the emerging role of birthright corporations and the economic spin-offs of claim-based activities and of aboriginal ownership of lands and resources.

The Government of Nunavut has been clear in its desire to participate with claims organizations in all sectors of activity. It has entered into formal protocols to ensure that this cooperative spirit is carried into our daily business. After two years we see concrete evidence of this cooperation. Economic partnerships with Nunavut Tunngavik and other aboriginal organizations support Nunavut's growing knowledge base: there is joint funding of a Nunavut Economic Scan by the Conference Board of Canada, and multi-party funding of household and wildlife surveys are being conducted by the Nunavut Bureau of Statistics. On the program side, there is shared funding of initiatives such as the Hunter Support Fuel Subsidy and the planned Akitsiraq Law School.

Of course, economic development depends, in large part, on our ability to attract investment – both private and public. The Nunavut Land Claims Agreement provides a stable economic environment in which to develop our resource potential. As a result, private investor confidence is strong.

However, investors also are looking for the assurance they will have access to skilled workers who can fill the jobs that will be created. If we are to capitalize on the potential of the resource sector, we will need to work aggressively to help our people develop the capacity, through training and education, to maximize their opportunities for employment.

Mr. Speaker, our government must deal with a number of unique geographic and social challenges that have a direct impact on government spending.

With regard to Nunavut's geography, the vast distances, relatively small size of our population and communities, as well our short shipping season, make the cost of goods and services very expensive in Nunavut. These same factors make it equally expensive for government to provide essential programs and services.

By Canadian standards, our population is very young – the 1996 Census estimated that nearly one-half of Nunavut's population was under the age of 20. This compares to just over one-quarter for the country as a whole. In addition, Nunavut's population is growing at a rate roughly double the national average. Our population is increasing at about three percent

annually. At this rate of growth our total population will double in less than 25 years.

As Members of this Assembly are aware, Nunavut's rapidly growing population and workforce has resulted in a high level of unemployment in the territory – despite the large number of new jobs created in recent years.

It is vital that jobs continue to be created and that Nunavummiut have access to them. To succeed, we need to ensure young adults attain a level of formal education that will help them prepare for the modern working world and their place in Nunavut's new economy.

Mr. Speaker, our young and rapidly growing population puts tremendous pressure on government to deliver needed programs and services – particularly in the health and social sectors. Compounding these challenges, growth in our housing stock has lagged far behind our population growth.

The same factors that result in high costs for goods and services, as well as high costs for essential programs, make housing very expensive.

Most of our residents live in public housing because they cannot afford to own and maintain a home, in a market where housing costs can reach four times the Canadian average. Overcrowding, although unacceptable, has become a fact of everyday life for many people in Nunavut - on average, there are 4.3 persons occupying each dwelling in our territory, compared to a national average of less than 2.7.

Adequate and affordable housing is a priority issue for the Government of Nunavut. The magnitude of this issue, however, means that it likely will take years of concentrated effort to see significant improvements. Without significant additional assistance from the federal government, this problem will persist.

I will stress that all levels of government must continue to support partnership initiatives that will enable us to address these serious social issues and will help to develop our economy.

But ultimately, Mr. Speaker, our future social and economic success will depend on the initiatives we design in Nunavut, the skills of our people, and the careful management of both our fiscal and natural resources.

We are committed to creating healthier communities, to supporting families and individuals, and to working to make Nunavut more self-reliant within Canada. We need to simplify our ways of running government, and continue to develop the skills of our young and growing population. These goals, which are consistent with the principles of the Bathurst Mandate, continue to guide the work of this government. This budget represents our ongoing strategic plan to achieve these goals. It demonstrates our determination to respond to the needs of our people, to

act in a fiscally responsible manner, and to continue to be publicly accountable.

However, Nunavummiut should understand that government cannot address our territory's challenges alone. Meeting social needs and creating a strong economy will require a commitment not only on the part of government, but the people of Nunavut as well.

## **OUR FISCAL PLAN**

Mr. Speaker, I will now present our fiscal plan for 2001-2002.

As we did last year, our budget plan will utilize funds from the government's accumulated operating surplus. For the 2001-2002 fiscal year we are projecting an operating deficit of approximately \$34.8 million, including a contingency reserve of \$10 million.

We need to be prepared for the unexpected such as the higher than anticipated fuel prices that we experienced this year. Unfortunately, we cannot shield our population completely from situations like this, which are beyond our control.

We have budgeted expenditures of \$679.5 million for the 2001-2002 fiscal year. This represents an increase of more than 6 percent over last year. We will be allocating more than \$608 million for operations and maintenance expenditures, and over \$71 million for capital projects.

As Members of the Assembly fully recognize, the transition to a new territory did not end on April 1, 1999. Despite the fact there is no additional funding to cover transitional costs, this budget provides over \$30 million for essential one-time initiatives. These will not be part of our long-term expenditure base.

For 2001-2002 our revenues are projected to be \$670 million. This represents a 4.9 percent increase in revenues over the 2000-2001 budget forecast. This increase is due largely to the continued strength of the Canadian economy, which directly affects our formula financing transfers to Nunavut. However, we should recognize that growth in the national economy is expected to slow down and we cannot count on such growth in future transfers.

We are projecting \$54.6 million in own-source revenues for the coming fiscal year. Our largest source is personal income tax, which we expect to bring in \$10.3 million. Other sources include tobacco, payroll, corporate income, fuel, and property taxes.

Mr. Speaker, as we have done in each of our first two years, I am pleased to announce once again that there will be no new taxes or fees imposed on the people of Nunavut in 2001.



In fact, Nunavummiut will be paying less territorial and federal income tax this year, as a result of recently announced taxation initiatives by the Government of Canada.

For 2001-2002 we are projecting \$615.4 million in federal transfers. Approximately \$563 million of this will be provided through the Formula Financing Agreement.

The Government of Canada provides transfers to all provinces and territories. The Formula Financing Grant is influenced by factors such as growth in provincial government expenditures, growth in the national economy, as well as by factors specific to Nunavut such as our relative population growth and tax revenues.

With our vast area, small population and weak economic base, Nunavut depends on federal transfers for over 90 percent of our total revenues. Without sufficient federal transfers, we will not be able to overcome our significant challenges and become more self-reliant.

Given the serious and growing social and economic challenges we face, it is critical that we maximize our benefits from and seek more favorable treatment through the Formula Financing Agreement.

Nunavut will be signing an extension to the current Formula Financing Agreement with the federal government in the near future that will provide transfers through the 2003-2004 fiscal year. This extension places all three territorial governments on the same renewal calendar with their agreements expiring March 31, 2004.

Mr. Speaker, I have asked my federal counterpart - the Honourable Paul Martin - and he has agreed that senior financial officials from our respective departments should review the fiscal capacity and needs of Nunavut. This review would assess Nunavut's fiscal needs and determine if there are any corrective fiscal actions necessary.

In that we are introducing our second deficit budget, I think it is prudent to undertake such a review before longer-term problems surface that could threaten the fiscal and political stability of Nunavut. I am confident that the Governments of Canada and Nunavut share the commitment to see our territory succeed and that we will work effectively together to ensure that it does.

Our efforts to have additional needs addressed through the Formula Financing Arrangements and other federal transfers will continue. Housing needs in particular have to be addressed.

We will also strive to take full advantage of new federal funding dedicated to Aboriginal issues – particularly in the areas of housing, job training and health, announced in the recent Speech from the Throne.

As essential as these efforts are, however, it would be unwise for our government to focus exclusively on improving our revenues. It is not

realistic to think we can spend our way out of our problems or to expect others to resolve them for us.

If we are to make a convincing case for additional funding, we have to demonstrate that we are responsible managers, providing the right services in the most cost-effective way.

The Government of Nunavut is in the fortunate position of not yet having an accumulated debt. Most governments in Canada have large debt loads that reduce the amount of money they spend on health, education and other important social programs.

Borrowing large amounts of money to finance current spending on programs and services would be short sighted. We must avoid the problems of other governments and learn from their mistakes.

Mr. Speaker, consistent with the Bathurst Mandate we will live within our means and we will not spend large amounts of money that we do not have. This means that, like every other government in Canada, we will have to make many difficult choices in how we allocate our limited financial resources.

We will have to do many things differently in future if we are to meet growing pressures. We will need to be realistic and focus our efforts on our priorities. We must determine if we are doing the right things and if we are doing things right. With our limited financial resources, our ability to be innovative and more efficient will be critical. We will have to find ways to be more resourceful and change programs and services to better meet our needs. To assist this process, we will be conducting a major program review exercise over the coming year.

Using the knowledge gained over the past two years we plan to do a thorough inventory of the activities of this government, in order to ensure that our efforts and expenditures are consistent with our goals in the Bathurst Mandate and the needs of Nunavummiut.

Choices that we make today will affect the lives of Nunavummiut tomorrow. So we must take the time necessary to be certain any changes we introduce are right for our people. We continue to be mindful of Inuit Qaujimaqutuqangit (IQ) in what and how we do things.

## **OUR EXPENDITURES**

It is this reality that has guided our spending plans and priorities for the coming year. For the 2001-2002 fiscal year our government has allocated over \$679 million to fund programs, services, and capital projects throughout Nunavut. In addition, we have established a contingency reserve of \$10 million to cover unforeseen fiscal requirements.

Mr. Speaker, the Departments of Education and Health and Social Services, along with the Nunavut Housing Corporation, will account for nearly 52 percent of our government's total allocated spending. This spending is consistent with the priorities identified by the people of Nunavut.

I will now review departmental spending and highlight some initiatives for the upcoming fiscal year.

## **Education**

Mr. Speaker, all Members of this Legislature recognize that education is the key to a better future for the people of Nunavut. Equipping our citizens with the skills and knowledge they need, at all stages of their lives, is crucial to our territory's success.

For 2001-2002 the Department of Education will have the largest departmental budget at \$174.7 million. This includes planned spending on capital projects of over \$29 million, an increase of over 90 percent compared to last year.

Construction will begin or continue on schools or Arctic College facilities in the communities of Clyde River, Grise Fiord, Iqaluit, Pond Inlet, Cambridge Bay, Kugaaruk, Kugluktuk, Arviat, and Baker Lake. In addition, we will continue with the planning and design work for future projects in several communities.

As the result of increased enrolments, our schools will receive an additional \$1.6 million to maintain the current pupil teacher ratio. This will mean approximately 20 new teaching positions across Nunavut. As well, \$1.8 million has been set aside for rising fuel and utility costs in schools.

Recognizing that in today's world, learning must be lifelong, our government will provide young adults the opportunity to increase their employment skills. The department will spend an additional \$300,000 on trades next year. This is a first step in the development of a Nunavut Trades Education initiative designed to provide individuals access to trade programs that will allow for self-sufficiency and self-reliance.

Mr. Speaker, this will be the first full year of Nunavut's Labour Market Development Agreement, which will bring \$3.3 million from the Government of Canada to Nunavut to assist in adult training and education.

In addition to the funding I have just highlighted, the accumulated surpluses of the former Divisional Education Boards will be invested back into education. This one-time funding will provide resources for a number of projects including the development of Inuktitut curriculum and program support initiatives.

## **Housing**

Housing is another pressing priority for this government. In last year's budget we announced an ambitious plan to construct 100 new public housing units and operate an additional 40 public housing units to be leased from the private market. At that time we acknowledged that the demand for social housing far exceeded these initiatives.

Mr. Speaker, we remain committed to addressing our housing needs in a meaningful, ongoing and efficient manner.

For 2001-2002 the Nunavut Housing Corporation will have a capital budget of \$14 million, which is second only to the Department of Education. In total, the Nunavut Housing Corporation has been allocated \$54.6 million in funding.

This significant capital budget will enable the corporation to continue to deliver homeownership programs, as well as modernize and improve the current housing stock.

In recognition of the ongoing need for low-cost housing, our government remains committed to building additional public housing units throughout the territory. During 2001-2002 the corporation will construct at least 50 new public housing units.

Mr. Speaker, early last year the Task Force on Housing made 15 recommendations to improve housing for Nunavummiut. I am pleased to report that, in the coming year, the Nunavut Housing Corporation will initiate actions to address each task force recommendation.

In 2001-2002 the corporation is planning to revise the public housing rent scale, develop new homeownership programs that are responsive to the needs of Nunavummiut, create new and improved housing designs using an IQ approach, and finalize the Housing Needs Study as part of the Nunavut Household Survey. These initiatives demonstrate that our government is committed to making progress in addressing Nunavut's housing needs.

## **Health and Social Services**

Housing challenges are closely linked to our territory's health and social needs. The Department of Health and Social Services will have a total budget of \$123.3 million, including over \$119 million for operations and maintenance, as well as \$4.2 million for capital projects. In addition, we will continue to work towards lease arrangements for the Baffin Hospital and two regional health facilities with the birthright development corporations.

Mr. Speaker, we will continue to focus on the delivery of integrated community-based health and social services. The department's Kugluktuk office will be examining a standardized service delivery model for health and social services across the territory.

The department will be consulting elders and seeking their participation in community-based healing programs. Ongoing training and developing local solutions will remain top priorities. As well, we will continue to define and refine a culturally appropriate mental health strategy.

The department remains dedicated to building a strong and stable workforce of health professionals in our territory, including renewed efforts to increase Inuit employment. Strategies for the recruitment and retention of nurses will be a key priority for the department.

Health protection services, such as tuberculosis control and surveillance, will be increased through better tracking mechanisms as well as enhanced public education activities. In addition, children between the ages of two and 19 years, and adults over the age of 49 years, will be vaccinated to help prevent pneumococcal disease.

The department will maintain its public campaigns to promote healthy lifestyles and the negative health consequences of smoking and other addictions.

## **Justice**

For 2001-2002 the Department of Justice has been provided a total budget of \$38.0 million, including \$500,000 for capital projects.

Mr. Speaker, one of the most exciting and innovative items in the budget for the coming year is \$381,000 to fund the Akitsiraq Law School.

This four-year program – operated through a partnership between Nunavut Arctic College, the University of Victoria Law School, and the Government of Nunavut – will fill a critical gap that currently exists in our territory. The Inuit lawyers graduating from this program, whether they work for government or in the private sector, will have the tools to instigate change that will positively affect the future of Nunavut.

Funding has been provided for support staff and additional court circuit travel in the Court Services Division, in anticipation of the Government of Canada making the planned appointment of a third judge to the Nunavut Court of Justice. Support of this unique court will insure that its simplified and innovative format is given an opportunity to respond to community need.

## **Culture, Language, Elders and Youth**

Mr. Speaker, the responsibilities of the Department of Culture, Language, Elders and Youth are priority areas for our government. In addition to the budget of over \$7.3 million provided to the department, there are many elements of programs funded in other departments that support Inuit culture and language.

Within the department for the upcoming year, capital funding of \$1 million will be dedicated to a Heritage and Archival Centre Study, Language Centre Study, Youth and Elders Facility Study, and the Kitikmeot Heritage Centre.

In addition to its regular programming, the department will focus on the Inuit Qaujimagatuqanginnut Tunngaviksaliuqtiit Task Force, Elders and Youth Initiatives, community-based grants and contributions, and Inuit employment.

The department will provide over \$2.3 million in grants and contributions to support initiatives, including traditional language promotion and protection, as well as cultural and heritage programs.

### **Sustainable Development**

For 2001-2002 the Department of Sustainable Development will manage a total budget of over \$34.3 million.

The department will continue its work with communities in Nunavut in creating jobs and developing a sustainable economy. Over one third of the department's budget, \$13.7 million dollars, has been allocated to fund programs through grants and contributions to communities and industry organizations. The department will continue its work with hamlets in developing community-based economies by allocating \$2.7 million to the Community Initiatives Program, \$1.9 million will be provided to hamlets to hire Community Economic Development Officers, and Nunavut Tourism will be provided over \$1.3 million to deliver tourism programs on the government's behalf.

Mr. Speaker, we know that our traditional, land-based economy continues to serve as the foundation for economic life in Nunavut. The department will continue its investments in the harvesting economy by funding Hunter's and Trappers Organizations, Regional Wildlife Boards, and support for outpost camps.

The department will also increase its capacity in the wildlife service in non-decentralized communities. Our commitment to a national strategy on climate change will be met through funding our government has accessed under the National Climate Change Action Fund.

Our government will continue efforts to identify investment opportunities in Nunavut's new economy by supporting new business ideas and expansion through the Business Development Fund. As well, the department will invest \$2.8 million in planned capital projects.

The department will place increased emphasis on communities that are not receiving jobs through our decentralization efforts. Initiatives related to this include funding for the Nunavut Development Corporation for investments in non-decentralized communities, the Nunavut Business Credit Corporation Board has been directed to increase their effort at

lending into non-decentralized communities, and through the Nunavut Job Corps we have commenced running pilot projects in Repulse Bay, Chesterfield Inlet, Taloyoak and soon hope to have new projects in Kugaaruk and Arctic Bay.

### **Community Government and Transportation**

Mr. Speaker, initiatives of the Department of Community Government and Transportation address many of the priorities of communities. The department will manage a budget of \$78.4 million, including \$65.4 million for operations and maintenance, as well as \$12.9 million for planned capital projects.

The department will oversee \$34.7 million in grants and contributions, including over \$20 million for the Municipal Operating Assistance Program. In all, community funding will be increased by almost \$4 million in 2001-2002, nearly double last year's increase of \$2 million. These increases are a result of the ongoing Municipal Finance Review, which is restructuring the department's funding formula to better meet the fiscal needs of our communities.

The Community Government Branch of the department will spend over \$6.3 million on buildings and works. This amount includes funding for the construction of a new arena in Kimmirut, the water supply system in Kugluktuk, water supply improvements in Grise Fiord, and cost-shared paving of Iqaluit roads. The branch also will invest in essential mobile equipment purchases and upgrades across the territory.

The Transportation Branch will spend over \$2.3 million on buildings and works. This amount includes new monies for the Rankin Inlet Airport apron expansion, Resolute Bay airport improvements, and construction of an airport garage in Cambridge Bay. As well, the branch has allocated funds to acquire equipment such as snow blowers, graders and inspection vehicles.

As in the past two years, the Transportation Branch will dedicate funds this fiscal year to develop a new Transportation Strategy for Nunavut. This strategy will set out our vision and direction for the development of transportation in Nunavut to the year 2021.

### **Public Works and Services**

Mr. Speaker, the Department of Public Works and Services has been allocated a total budget of \$92.5 million. Of that amount, \$86.3 million is budgeted for operations and maintenance as well as \$6.2 million intended for capital projects.

The department will direct \$1.2 million to decentralization-related activities. This would include the purchase of new office furnishings, transporting new and existing office equipment and furnishings, and the installation of new communications systems in communities.



The department is responsible for providing fuel to the communities throughout the territory. This year, \$5.2 million in capital funding has been budgeted for maintenance and enhancement of bulk fuel storage facilities across Nunavut, including over \$1.9 million for improved facilities in Sanikiluaq.

Recently, the department signed an agreement with the community of Gjoa Haven under the Community Transfer Initiative. This agreement will see the Department of Public Works and Services transfer funds to the community through the Department of Community Government and Transportation to strengthen community capacity building.

## **Human Resources**

Mr. Speaker, implementing the Government of Nunavut's ambitious agenda requires that we equip our employees with the tools they need to do their jobs well. The Department of Human Resources is mandated with this responsibility. Part of this mandate is to ensure the wellness of our government's most valuable assets – our employees. To fulfil this mandate, this year the department is committing \$750,000 to the government-wide Workplace Wellness Program for Government of Nunavut employees and their families.

In the coming year the department will be placing greater emphasis on the implementation of our Inuit Employment Plan. This will be accomplished by focusing on training and development, as well as greater coordination of initiatives in all departments.

As part of the decentralization initiative, a pre-employment program will be delivered in communities through Arctic College. Funding of \$500,000 has been set aside for this program.

As well, the department will continue to be involved in the delivery of employment orientation, Inuktitut language, specialized training programs and summer students. These initiatives, which complement the training efforts of other departments, will help ensure that the Government of Nunavut has a well-trained and professional public service.

For 2001-2002 the Department of Human Resources has been provided a total budget of nearly \$18.5 million.

## **Finance and Administration**

For 2001-2002 the Department of Finance and Administration will manage a total budget of nearly \$39 million. The increased funding of over \$8 million is required to cover the costs of office building leases in 10 decentralized communities.

The department will continue to provide the electrical power subsidy to ensure that all Nunavut residents continue to have access to reasonable



electricity rates. The cost of this very worthwhile subsidy will be over \$4.7 million next year.

## **Executive and Intergovernmental Affairs**

Mr. Speaker, our government's three-year decentralization plan was successfully launched this past year. The focus in our first year was preparing homes and offices for new employees, and developing procedures to move employees between communities. In the upcoming year the relocation of positions and employees will continue.

In years two and three the Decentralization Secretariat has been directed to focus on the recruitment of staff from decentralized communities and to address their training needs. These efforts are being undertaken in conjunction with Arctic College and the impacted departments.

To effectively implement our government's obligations under the Access to Information Act, the department has been given funding to support and train employees throughout government. This will enable departments to better respond to requests for information.

The Nunavut Law Review is currently scheduled to conclude its work by the end of December. The department has allocated funding to ensure that the mandate of this important initiative is fulfilled.

The Nunavut Power Corporation Implementation Secretariat is also concluding its work. Effective April 1, 2001 the Nunavut Power Corporation will become a stand-alone self-funded entity. No funding has been allocated for the secretariat for the upcoming year and, as a consequence, the department's budget has been substantially reduced.

The department has been provided funding to support the regulatory body charged with overseeing how utility rates are set across our territory. This regulatory function will be designed to provide a public window into the rate setting process. Members of the Legislature will have an opportunity to review the implementing legislation.

For 2001-2002 the total budget for the Department of Executive and Intergovernmental Affairs has been established at \$8.6 million.

## **CONCLUDING COMMENTS**

Mr. Speaker, this document describes where our government will invest in the coming year. How those dollars are put to use rests with each of us.

As guardians of the public purse, we have a responsibility to make sure our programs and services truly reflect, and respond, to the needs of our constituents. Our duty, as elected representatives of the people, is to ensure these investments are put to optimal use and that they produce

the desired results. To accomplish this we will need to use our financial resources wisely and carefully manage our expenditures.

Over the past two years we have not only maintained the programs we inherited but enhanced them for the benefit of our people, while being fiscally responsible. In light of growing demands, we must assess whether we can realistically continue on this path without additional support. We have to recognize, as well, that financial solutions are not the entire solution to the social and economic issues we face.

There are serious challenges ahead – challenges this budget aggressively tackles head on. Consistent with the priorities identified by the people of Nunavut and the Bathurst Mandate we are putting more resources where they are urgently needed – into education and other social programs.

With the necessary investments in infrastructure and community development, we will help ensure Nunavut's economy continues to develop and grow. And we will continue our efforts to capitalize on our territory's considerable natural resource potential to make sure that benefits for our citizens are maximized.

For this reason, we will actively pursue skills development and employment opportunities for Nunavummiut while supporting our culture, heritage and traditional economic activities. We also will continue to implement our decentralization plan to increase opportunities in communities throughout the territory.

We look forward to working co-operatively and productively with Nunavut Tunngavik Incorporated, Designated Inuit Organizations, and with our federal partners as we strive to realize our territory's promise.

Mr. Speaker, we have worked diligently to identify issues that matter in the daily lives of the people of Nunavut. We have listened carefully to what the people have to say – something we will continue to do as we deliver the programs and services outlined in this budget. We will hold ourselves accountable for our actions.

In the end, of course, this budget belongs to all Nunavummiut. As citizens of our truly amazing new territory, we all have a responsibility to contribute to its growth and well-being. We possess the power to make the Nunavut dream come alive. The onus is on all of us to ensure our shared dream becomes our children's reality. Thank you, Mr. Speaker.

**APPENDIX:**  
**SUMMARY TABLES AND BUDGET PAPERS**

## Summary of Fiscal Position

(\$ Millions)

	<i>2001-2002 Main Estimates</i>	<i>2000-2001 Revised Estimates</i>	<i>2000-2001 Main Estimates</i>
<b>REVENUES</b>	<b>670.0</b>	<b>635.3</b>	<b>638.7</b>
<b>EXPENDITURES</b>			
Operations and Maintenance	608.3	590.1	572.9
Capital	71.2	77.4	66.2
<b>TOTAL EXPENDITURES</b>	<b>679.5</b>	<b>667.5</b>	<b>639.0</b>
<b>UNADJUSTED SURPLUS (DEFICIT)</b>	<b>(9.5)</b>	<b>(32.2)</b>	<b>(0.3)</b>
<b>Estimated Supplementary Requirements</b>			
Contingency Reserve	(10.0)	--	(15.0)
Capital Projects Carried Over	(8.0)	--	(5.0)
Other Supplementary Requirements	(22.3)	(31.2)	--
<b>Estimated Appropriation Lapses</b>			
Operations and Maintenance	10.0	15.0	--
Capital	5.0	10.0	5.0
<b>OPERATING SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>(34.8)</b>	<b>(38.4)</b>	<b>(15.3)</b>
<b>Accumulated Operating Surplus (Deficit) at beginning of the Year</b>	<b>22.8</b>	<b>61.2</b>	<b>34.1</b>
<b>ACCUMULATED OPERATING SURPLUS (DEFICIT) AT END OF THE YEAR</b>	<b>(12.0)</b>	<b>22.8</b>	<b>18.8</b>

Totals may not add due to rounding.

## Summary of Revenues

(\$ Millions)

	<i>2001-2002 Main Estimates</i>	<i>2000-2001 Revised Estimates</i>	<i>2000-2001 Main Estimates</i>
<b>Federal Transfers</b>			
Formula Financing Arrangement	563.0	529.0	531.0
Other Federal Transfers	52.4	50.8	51.0
<b>Total Federal Transfers</b>	<b>615.4</b>	<b>579.8</b>	<b>582.0</b>
<b>Own Source Revenues</b>			
Personal Income Tax	10.3	11.9	11.9
Corporate Income tax	1.7	1.8	1.8
Fuel Tax	3.3	3.1	3.1
Property and School Tax Levies	3.0	3.0	3.0
Tobacco Tax	6.5	6.2	7.5
Payroll Tax	4.0	3.9	3.9
Insurance Taxes	0.3	0.3	0.3
Liquor Commission Net Revenues	1.8	1.7	1.6
Power Corporation Dividend	3.9	3.9	3.9
Rental Recovery – Staff Housing	6.2	6.2	6.2
Other Revenues	13.5	13.5	13.5
<b>Total Own Source Revenues</b>	<b>54.6</b>	<b>55.5</b>	<b>56.7</b>
<b>Total Revenues</b>	<b>670.0</b>	<b>635.3</b>	<b>638.7</b>
<small>Totals may not add due to rounding.</small>			

## Summary of Total Expenditures (\$ Millions)

	<i>2001-2002 Main Estimates</i>	<i>2000-2001 Revised Estimates</i>	<i>2000-2001 Main Estimates</i>
Legislative Assembly	9.9	10.3	9.7
Executive and Intergovernmental Affairs	8.6	11.4	11.3
Finance and Administration	39.0	37.0	30.8
Human Resources	18.5	17.5	17.8
Justice	38.0	37.1	37.1
Public Works and Services	92.6	97.1	87.5
Community Government and Transportation	78.4	82.9	78.6
Culture, Language, Elders and Youth	7.4	7.6	7.6
Education	174.8	155.8	150.5
Health and Social Services	123.4	121.6	120.2
Sustainable Development	34.3	34.1	33.8
Nunavut Housing Corporation	54.6	55.2	54.2
<b>Total</b>	<b>679.5</b>	<b>667.5</b>	<b>639.0</b>
<small>Totals may not add due to rounding.</small>			

### Summary of Operations and Maintenance Expenditures (\$ Millions)

	<i>2001-2002 Main Estimates</i>	<i>2000-2001 Revised Estimates</i>	<i>2000-2001 Main Estimates</i>
Legislative Assembly	9.8	9.6	9.7
Executive and Intergovernmental Affairs	8.6	11.4	11.3
Finance and Administration	39.0	36.7	30.8
Human Resources	18.5	17.5	17.8
Justice	37.5	36.3	36.5
Public Works and Services	86.3	86.7	79.8
Community Government and Transportation	65.4	61.5	63.0
Culture, Language, Elders and Youth	6.4	6.6	6.6
Education	145.5	139.4	135.1
Health and Social Services	119.2	117.1	115.9
Sustainable Development	31.5	30.9	31.1
Nunavut Housing Corporation	40.6	36.2	35.2
<b>Total Operations and Maintenance</b>	<b>608.3</b>	<b>590.1</b>	<b>572.9</b>

Totals may not add due to rounding.

## Summary of Capital Expenditures (\$ Millions)

	<i>2001-2002 Main Estimates</i>	<i>2000-2001 Revised Estimates</i>	<i>2000-2001 Main Estimates</i>
Legislative Assembly	0.2	0.7	--
Executive and Intergovernmental Affairs	--	--	--
Finance and Administration	--	0.3	--
Human Resources	--	--	--
Justice	0.5	0.7	0.6
Public Works and Services	6.2	10.3	7.7
Community Government and Transportation	13.0	21.3	15.5
Culture, Language, Elders and Youth	1.0	1.0	1.0
Education	29.3	16.4	15.3
Health and Social Services	4.2	4.6	4.3
Sustainable Development	2.8	3.1	2.7
Nunavut Housing Corporation	14.0	19.0	19.0
<b>Total Capital</b>	<b>71.2</b>	<b>77.4</b>	<b>66.2</b>

Totals may not add due to rounding.



## Nunavut's Unique Fiscal Challenges

All governments in Canada face the ongoing challenge of delivering essential programs and services while being fiscally responsible. Given that all governments have limited financial resources, being fiscally responsible often means making very difficult decisions – every government must choose how to use its limited resources to best meet the needs of the people it serves.

In this regard, the Government of Nunavut is no different from the governments of other territories and provinces – we have the responsibility to provide programs and services that are right for our people while ensuring our resources are used in a fiscally responsible manner. However, Nunavut is different from other provinces and territories due to certain circumstances that make Canada's new territory unique.

Nunavut is unique within Canada for many reasons, including:

- *With over 20 percent of the country's total area, Nunavut is Canada's largest geographical jurisdiction.*
- *With a total population of around 27,000 people, Nunavut has the fewest residents of any province and territory.*
- *There are 27 communities widely dispersed throughout the territory – 17 of these have less than 1,000 residents. Iqaluit, Nunavut's capital, is home to around 5,000 people.*
- *The Eastern Arctic's extreme climate strongly influences life in Nunavut. Many daily and routine activities must be done differently as a result of the harsh environment.*
- *There is no road link between Nunavut and southern Canada - all goods brought in to Nunavut are shipped by water or air. With the long Arctic winter, the ocean shipping season is short – lasting approximately four months, from early July to early November.*
- *In comparison to other jurisdictions in Canada, Nunavut's population is very young and growing rapidly. Approximately 50 percent of the territories' population is less than 20 years of age. Nunavut's total population is growing at a rate that is about twice the national average.*
- *In comparison with other jurisdictions Nunavut's economy is in the developmental stage. Nunavut has considerable economic potential, however, at this time direct and indirect governmental activities dominate the economy.*

- *When compared to most other regions of the country Nunavut's basic infrastructure is underdeveloped, including:*
  - ◇ *Infrastructure required to ensure people's safety and welfare;*
  - ◇ *Infrastructure needed to provide essential programs and services; and*
  - ◇ *Transportation and communication infrastructure.*

Nunavut's unique circumstances also result in a number of unique fiscal challenges for Canada's newest government. The fiscal challenges facing the Government of Nunavut may be generally summarized with the following:

- *It costs more to develop and maintain basic infrastructure and to provide essential programs and services in Nunavut.*
- *Government must develop, maintain and deliver a broader range of infrastructure, programs and services in Nunavut.*
- *The overall need for basic infrastructure in Nunavut is high in comparison to many other regions of the country.*
- *The overall demand for essential programs and services is growing faster in Nunavut than in many other jurisdictions.*
- *Nunavut has a very limited capacity to generate revenues as a result of its small economy and the relative size of its tax bases.*

As noted above, there is no road link between the territory and southern Canada - all goods brought in to Nunavut are shipped by water or air. Even when using the most economical means of transportation, ocean shipping, the cost of most landed goods in Nunavut is substantially higher than other parts of the country. Generally, the costs associated with bringing goods into Nunavut flows throughout the territories' economy – as a result the overall cost of living and doing business is higher in comparison to other parts of Canada.

The delivery of essential programs and services is a major undertaking for all governments in Canada – requiring substantial financial and human resources. To attract qualified personnel the Government of Nunavut must provide its employees with compensation and benefits that take into account the high cost of living in the territory. In addition to higher wage and benefit costs, the government faces high employee recruitment, retention and training costs.

Population and geographical factors in Nunavut affect the efficiency of program and service delivery – on a relative basis more resources are required to deliver comparable programs and services in the territory. In certain instances it is not feasible for the Government of Nunavut to offer a full range of programs and services in each community in the territory, yet all residents must have access to comparable programs and services provided by the government. As a result, the government must provide certain extended services to ensure access to programs and services - medical travel being an example of one such extended service.

Geographic and economic factors also dictate that the Government of Nunavut provide or subsidize certain essential goods that in other jurisdictions would be provided by private enterprises. A good example of this is fuel delivery and storage. The government has fuel storage facilities in 26 communities. These facilities must be maintained to legislated standards and have the capacity to store more than a 12 month supply of various products. Each year the government finances the bulk purchase and delivery of fuel products to communities. Delivery within communities is contracted to local businesses.

As a result of weak economic opportunities, the high cost of living and other factors, many people in Nunavut rely on government programs and services in their daily lives. Compounding the challenge of meeting the significant need for programs and services is pressure caused by Nunavut's rapidly growing population. With an annual population growth rate of about 3 percent it is a challenge for the government simply to maintain the levels of existing programs and services. In particular, this rapid population growth places pressure on critical areas such as education and health care. In the case of education, there are more students entering the school system resulting in an increased need for teachers, support personnel, and school space.

Population growth also places pressure on basic infrastructure. This would include education and health facilities as well as transportation, communications, community-based and other general infrastructure. Hereto this pressure compounds a problem – in many instances, if there is infrastructure in place it is woefully inadequate or many other instances the necessary infrastructure is non-existent. For example, all of Nunavut's communities depend in part or in full on trucks for the delivery of water and the disposal of sewage. Similarly, a number of airports in the territory consist of a gravel airstrip with a construction trailer for a terminal building. Finally, Nunavut's only hospital was constructed over 40 years ago. Clearly, basic infrastructure needs in Nunavut are significant – the territories' rapid population growth adds pressure to this need.

In essence, Nunavut is at the stage of its development that most other Canadian jurisdictions experienced at least two to three generations ago. Housing is a good example of Nunavut's underdevelopment. The following sections provide a brief overview of Nunavut's housing environment and related funding issues.

Many residents of Nunavut simply cannot afford to own their own home and rely on public housing. Less than one out of five Nunavummiut own their home, by contrast two out of three of all Canadians own their homes.

The Government of Nunavut is the principal supplier of housing in the territory. The government, through the Nunavut Housing Corporation currently maintains 3,720 public housing units representing more than 50 percent of Nunavut's total housing stock. The last housing needs assessment conducted in 1996 indicated that close to 60 percent of Nunavut's population lived in public housing. Rental rates for these units are tied to income - 70 percent of public housing tenants currently pay the minimum rent as a result of low incomes.

There is an acute shortage of housing throughout Nunavut. The lack of available housing results in long waiting lists for social housing which directly contributes to overcrowding in many homes. It is common for families on waiting lists to stay with relatives and friends until a unit becomes available - waiting periods are usually years, instead of weeks or months.

On average 4.3 persons occupy each dwelling in Nunavut, compared to a national average of less than 2.7 persons. As well, 25 percent of households in the territory report an average of more than one resident per room, in contrast to the national average of 1.7 percent.

Nunavut's housing shortage can be directly tied to the high cost of building, maintaining and operating homes in the territory. This past year the Nunavut Housing Corporation awarded contracts to construct homes in the Baffin Region that ranged from a low of \$135 per square foot in Iqaluit to a high of \$208 per square foot in Sanikiluaq.

Several factors contribute to the high construction costs. Virtually all materials must be shipped from the south. Freight costs for a typical three-bedroom house to Baffin communities ranges from \$20,000 to \$35,000. As well, many communities do not have sufficient skilled trades people which means that personnel must be brought in from outside to do much of the work. Often these factors are compounded by the building season and late sealift arrival date. In the Kitikmeot Region many communities have a two-year construction cycle - materials arrive in late summer with construction beginning the following spring.

For the 2001-2002 fiscal year the Government of Nunavut has allocated approximately \$54 million to the Nunavut Housing Corporation – this includes \$40 million for operating expenses and \$14 million for capital. This allocation represents about 8.5 percent of the government's total expenditures. In addition, the corporation will receive \$57 million from Canada Mortgage and Housing Corporation to cover operating and maintenance costs for existing public housing units.

The Nunavut Housing Corporation estimates that 1,100 new housing units are required immediately to house families on the waiting lists. As

well, an additional 260 units will be needed annually over the next five years to replace old and dilapidated units, and accommodate the projected population increase of over 5,000 people during this period.

These 2,400 units would cost an average of \$190,000 per unit – the total cost would exceed \$455 million. In addition, an estimated \$45 million will be required to maintain and renovate the current housing stock. Even with \$14 million in capital funding in each year for the next five years, an additional \$86 million would be required annually to meet estimated need for public housing.

The Government of Nunavut, with annual revenues of about \$670 million, does not have the financial resources to meet these requirements. While the government does not have much latitude in dealing with the housing issue, it has recognized that the provision of housing is one of the territory's main priorities. The Government of Nunavut has committed a significant portion of its capital budget to support new housing initiatives. In the absence of a viable housing market in Nunavut, the territorial government can fully expect to continue to play a major role in this area.

Over the past 50 years the federal government has played a central role in housing in the north. The Department of Indian Affairs and Northern Development provided Nunavut's first housing programs in the 1950s. The Northwest Territories Housing Corporation was established in 1974 and relied on significant assistance through Canada Mortgage and Housing Corporation, which at one time funded 90 percent of the cost of new construction and 50 percent of the operating costs of public housing. Later, the corporations shared all costs on a 75/25 basis, with the federal corporation paying the larger share. By 1993 Canada Mortgage and Housing had withdrawn from the construction of new housing and by 1997 had an agreement in place to withdraw support for operating costs as well.

Canada Mortgage and Housing Corporation funding to the Nunavut Housing Corporation will decline from its current level of \$57 million to nil by 2037. This reduction represents nearly 10 percent of the government's total expenditures. Over this period Nunavut also will face increasing demand for public housing. As well, new construction and the operating costs will be subject to inflation. The combined effect of reduced federal funding, inflation and new demands will place a large burden on the Nunavut's limited financial resources.

## The Fiscal Responsibilities and Powers of Nunavut

The Government of Nunavut receives its powers and responsibilities through the Nunavut Act an act of the Parliament of Canada. In comparison, the powers and responsibilities of both the federal and provincial governments are specified in the Constitution Act, 1982.

To a large extent, Government of Nunavut has the same powers and responsibilities as a provincial government. It must provide health, education and social services within its boundaries, as well as the administration of justice, the regulation of property, civil rights and transportation. To provide these services and to ensure appropriate administration and regulation the Government of Nunavut undertakes expenditures.

The Government of Nunavut has two main sources for revenues required to meet its expenditure responsibilities or needs – transfers from the federal government and Nunavut's own source revenues. The table below illustrates that transfers are an important source of revenues for the Government of Nunavut. In total they account for about 91 percent of the government's revenues. The remaining 9 percent is generated by imposing taxes, charging various fees, and levies for specific purposes.

<b>Nunavut's Revenues by Source (Percent)</b>	
<b><u>Transfers</u></b>	
Formula Financing Grant	83
Other Transfers	8
<b>Total Transfers</b>	<b>91</b>
<b><u>Own Source Revenues</u></b>	
Taxes	5
Fees and Levies	4
<b>Total Own Source Revenues</b>	<b>9</b>
<b>Total</b>	<b>100</b>

### **Transfers**

Like all provinces and territories, the Government of Nunavut receives transfers from the federal government. Nunavut's major federal transfers are the Formula Financing Grant and the Canada Health and Social Transfer (CHST). As well, there are a number of other transfers related to the delivery of health care and justice support systems. Certain transfers are provided for specific purposes, with the amount based on spending undertaken by the territory in regard to a specific function. The majority of transfers are, however, not earmarked to a particular government function or responsibility. This allows Nunavut to make its own decisions regarding funding it provides to meet its responsibilities and priorities.

Nunavut's most significant source of revenue is the Formula Financing Grant. This grant is controlled by an agreement between Nunavut and the federal government which specifies the terms and conditions by which the grant is paid, as well, as how the annual entitlement to funds is determined.

The grant is unconditional and is determined by means of a formula which takes into account: Nunavut's population growth relative to Canada; the growth in spending levels of provincial and local governments on public services capped by the growth in the Canadian economy as a whole; and the ability of Nunavut to raise its own revenue through taxes and fees.

### Own Source Revenues

Nunavut, like the other two territories and all provinces, has the power to impose direct taxation as well as the right to collect revenues within the territory by imposing fees, levies and fines.

The Government of Nunavut has access to a wide variety of taxes, levies and fees as a source of discretionary revenue. The territory determines which of these are imposed and sets the rates associated with each.

- **Taxes on Personal and Corporate Income** - Nunavut imposes both a personal and corporate income tax and a payroll tax on gross wages and salaries earned in the territory.
- **Property Taxes** - The Government of Nunavut collects general property taxes from all communities except Iqaluit, that is, all communities in the territory that do not have the authority to collect their own taxes. School levies are also collected from all communities within the territory. Iqaluit imposes its own school levies with the rate is set by the territorial government.
- **Commodity Taxes** - Nunavut imposes two commodity taxes, one on petroleum products and the other on tobacco products.
- **Insurance Taxes** - A tax on general insurance premiums is imposed along with an additional charge on fire insurance premiums.
- **Liquor Markups** - Revenues from liquor sales are collected through markup rates on specific product types.
- **Fees and Licenses** - The territory imposes a number of fees for service and licenses. In general there is no direct connection between the fees or licenses and any costs related to them, however any particular fee or license can be set to recover the cost of providing the service associated with it, encouraging certain behavior, or simply as a revenue raising instrument.



Nunavut's Tax Rates	
Personal Income Tax [% of federal tax]	45.0
Retail Sales Tax	None
Gasoline Unleaded [¢/litre]	6.4
Diesel Fuel [¢/litre]	9.1
Aviation Fuel [¢/litre]	1.0
Cigarettes [\$/carton]	25.20
Tobacco [¢/gram]	8.60
Payroll Tax [%]	1.0
Small Corporate Income Tax [%]	5.0
Large Corporate Income Tax [%]	14.0

### **The Interaction between the Formula Financing Grant and Own Source Revenues**

Although the Formula Financing Grant is intended to reflect Nunavut's expenditure needs, growth in this revenue source is determined mainly by factors established outside the territory.

In effect, Nunavut's expenditure needs are assumed to grow at about the same rate as those in provinces and local southern governments adjusted for the different population growth rate in the territory.

Increases in Nunavut's own sources of revenue, that are a result of economic growth are significantly offset by decreases in the federal transfer. On the other hand, revenue increases stemming from higher tax rates are added to the territory's revenues.

The fact that most revenues raised by Nunavut through its own sources reduce the federal transfer, combined with the fact that these revenues are only a small part of the total budget, means that Nunavut has a unique situation in balancing its fiscal responsibilities and powers. The main source of Nunavut's revenues, for the short to medium term future at least, will remain the Government of Canada. Thus the federal government is our key partner in meeting Nunavut's financial needs.



## The Fiscal Priorities of the Government of Nunavut

1. **Maintaining a sound long-term fiscal position.** The Government of Nunavut is committed to being fiscally responsible and remaining debt free in the long term. Borrowing money to fund expenditures for programs and services in the short term will reduce funding available in future years. It will be important for the government to live within its means.
2. **Ensuring that essential programs and services are properly funded.** Limited resources make it impossible for government to fully fund every desired program or service. It is important that Nunavut's programs and services continue to change to better address the changing needs of our people – this will likely result in the reallocation of existing funding to follow changing needs.
3. **Achieving the most from our expenditures.** Government of Nunavut programs and services should be efficient, economical and effective. It is critical that the government receive good value for its expenditures.
4. **Improving our revenues.** The Government of Nunavut must continue to strongly pursue all opportunities to increase its revenues. This includes seeking more beneficial fiscal arrangements with the Government of Canada, as well as, promoting the growth of and maximizing the benefits from our own-source revenue bases.
5. **Becoming more self-reliant.** A key element for Nunavut's future success is the reduction of dependence on the Government of Canada. Reducing our dependence will make Nunavut less vulnerable to factors out of our control and more responsive to changing needs within the territory.
6. **Fostering economic development with an appropriate fiscal environment.** Much of Nunavut's future success will hinge upon the meaningful development of our economy. The Government of Nunavut must use all the tools and resources at its disposal, including taxation policies and expenditure decisions, to encourage economic development.