

FISCAL REVIEW

Large one-time revenues in 2000-01 and 2001-02 have allowed the government to make some necessary investments in capital infrastructure and the social well-being of Northwest Territories' residents. However, revenues have returned to historical levels and the GNWT is again in a position where expenditures exceed revenues. Rising costs of current programs and the increasing need for investment in infrastructure and in addressing the costs associated with development mean careful consideration must be given to new initiatives and investments.

2001-02 FINAL RESULTS

2001-02 revenues were \$957 million and expenditures only \$837 million, leaving the GNWT with an operating surplus of \$120 million. A large one-time corporate income tax payment was the main reason for the large increase in revenues.

2002-03 REVISED ESTIMATES

The revised 2002-03 revenue forecast predicts 2002-03 total revenues to be \$82 million lower than the 2002-03 Main Estimates, decreasing from \$856 million to \$774 million. The \$106 million decrease in the Formula Financing Grant forecast and the \$7 million decrease in other transfers more than offsets an increase in GNWT own source revenues of \$31 million.

There are two main reasons for the decrease in the forecast of the Grant:

- ◆ changes to the population estimates lowering both prior years and ongoing entitlements, and
- ◆ increases in provincial-local government tax effort, which translates into a lower Grant.

2002-03 corporate income tax revenues are \$15 million higher than forecast in the 2002-03 Main Estimates as a result of higher than expected corporate income tax collections for the 2001 tax year and a higher federal forecast for 2002 corporate income. However, as federal estimates are based on prior year tax revenues, it is expected that the GNWT will be required to repay a large portion of these revenues in 2003-04. Until actual corporate income tax assessments are received for 2002, the effect of the July 1, 2002 corporate income tax rate reduction on investment is unknown.

Operating expenditures are 4.2 per cent higher (\$36 million) than estimated in the 2002-03 Budget. The majority of the supplementary expenditures were for health and education programs.

Capital investment expenditures are expected to be 31 per cent higher (\$34 million) than projected in the 2002-03 Budget and \$45 million higher than 2001-02 actual capital investment expenditures.

The decrease in revenues and increase in expenditures changed the \$12 million deficit forecast in the 2002-03 Budget into a forecast deficit of \$106 million. The higher capital investment expenditures and increased deficit will reduce the \$338 million cash surplus at the end of 2001-02 to \$45 million at March 31, 2003. The total debt at the end of 2002-03, including that of the NWT Power Corporation and the NWT Housing Corporation, is forecast to be \$142 million.

2003-04 BUDGET

Revenues

Total 2003-04 revenues are expected to increase \$80 million to \$854 million. Forecasting revenues for 2003-04 was complicated by the effect of the one-time corporate income tax payment received in 2001-02. The Formula Financing Grant from Canada is expected to almost triple from \$281 million in 2002-03 to \$809 million in 2003-04 due to prior year adjustments relating to corporate income tax. Total own source revenue will be negative in 2003-04 as the large overpayment of 2002-03 is returned.

Repayment of the 2002-03 Finance Canada's overestimate of corporate income tax has very interesting consequences for the composition of total GNWT revenues. The Formula Financing Grant from Canada, which historically is less than 80 per cent of GNWT total revenues, will rise to 94 per cent of revenues in 2003-04. Since the overestimate of 2002-03 corporate income served to reduce the 2002-03 Formula Financing Grant, the repayment will result in a large positive adjustment to the Grant in 2003-04. Other transfers, at 7 per cent, remain at their historical share of total revenues.

GNWT own source revenues include taxes, liquor profits, regulatory revenues (revenues from fees and licences), rental income, power subsidy recoveries, sales of government assets and sales of goods and services.

A forecast 4.6 per cent growth in employment income in 2003 will increase the GNWT's forecast personal income tax revenues to \$51 million in 2003-04.

Corporate income tax revenues are forecast to decrease \$461 million from the revised forecast for 2002-03. The GNWT will be required to pay \$182 million to Canada in 2003-04 as actual 2002-03 corporate tax collections prove to be much lower than Finance Canada estimates.

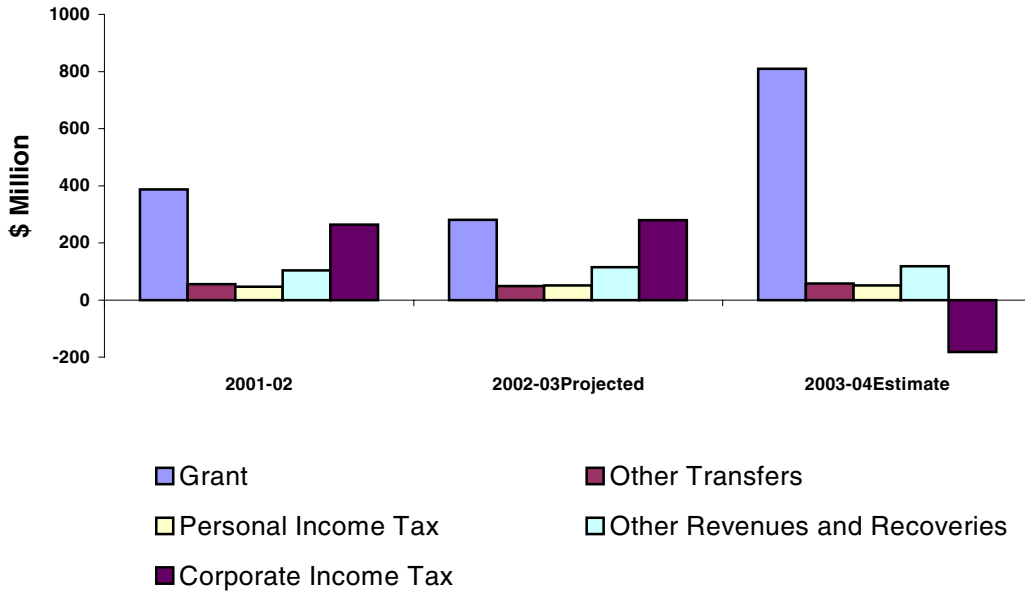
Tobacco tax revenues are forecast to increase \$2.6 million in 2003-04 due to anticipated increases in the tax rates for tobacco.

2003-04 fuel tax revenues are expected to increase by \$558,000 as economic growth results in increases in fuel consumption.

Increases in payroll tax revenue forecast reflect projected increases in employment income.

Property tax revenues will remain the same.

Total GNWT Revenues by Source

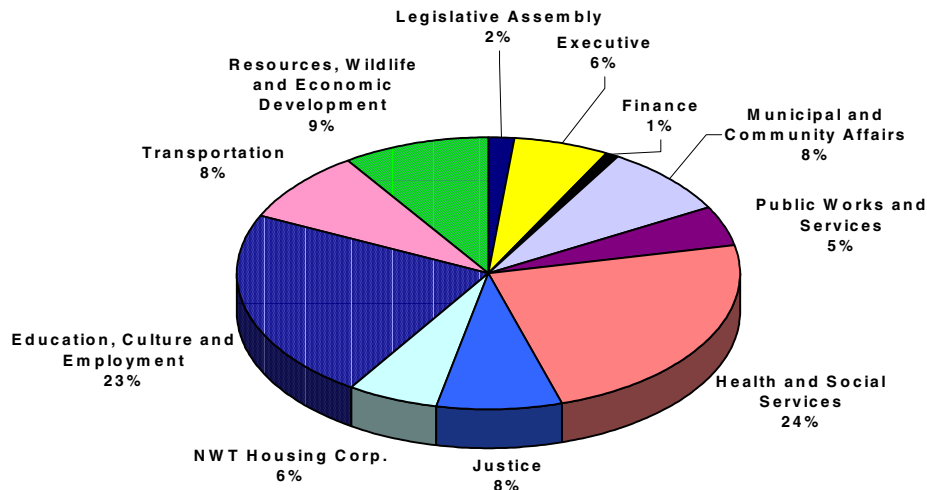


Operating Expenditures

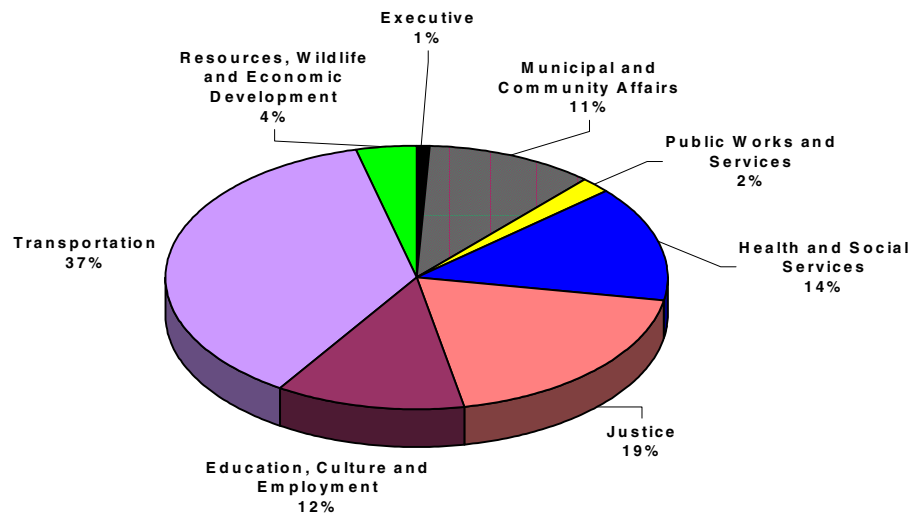
Operating expenditures are projected to increase by \$35 million to \$924 million in 2003-04. The 4 per cent increase is due primarily to increased costs of existing programs, particularly in health care spending.

Most territorial spending is in the area of social and community programs: education, health, social services, justice, housing and support for communities. These programs represent almost 70 per cent of the GNWT's annual budget.

Operations Expenditures by Department 2003-04



Capital Investment Expenditures by Department 2003-04



Capital Investment Expenditures

Total capital investment expenditures are expected to decrease 48 per cent from \$143 million in 2002-03 to \$74 million in 2003-04. Over 80 per cent of 2003-04 capital investment expenditures are in the areas of transportation, justice, health, social services, and education.

Capital investment expenditures for the Department of Transportation will total \$27 million, of which \$12.7 million is for highway construction. The Mackenzie Valley winter bridges require capital investments of \$3.8 million and \$1 million will be used for public access roads to highways. If an agreement is reached with the federal government with respect to the Strategic Infrastructure Fund, \$4.3 million of federal dollars will be used to rebuild sections of Highways 4, 8 and the Mackenzie Valley winter bridges.

Airports will receive \$6.5 million for various capital investments. The federal government will be contributing \$4.2 million in 2003-04 under the federal Airports Capital Assistance Program.

Total 2003-04 capital investment expenditures for the Department of Health and Social Services are budgeted at \$10.5 million, composed of \$2.9 million in community health programs and \$7.6 million for health services programs. Most of the community health program capital expenditures will pay for investments in information systems such as the patient and hospital scheduling system. Included in the health service programs are \$2 million for the health centre at Sachs Harbour, \$1.7 million for the health centre in Holman and \$1.4 million for the regional hospital in Inuvik.

Capital work on the North Slave Correctional Centre will require \$13.4 million of the \$14.1 million capital budget of the Department of Justice.

The Department of Education, Culture and Employment intends to invest \$9.1 million in capital investment expenditures in 2003-04. These expenditures are distributed among various schools, educational and cultural facilities. The largest investments are \$2.8 million for the new Aurora College campus in Inuvik, \$1.0 million for the Chief Albert Wright School in Tulita, and \$2.9 million for the Prince of Wales Heritage Centre.

There will be an additional \$8.1 million in capital investment in the smaller communities of the NWT under the capital budget for the Department of Municipal and Community Affairs. Included in this expenditure will be over \$5.5 million investment in water treatment and sewage facilities, \$1.2 million for a curling rink in Aklavik and \$1.2 million for an arena in Lutselk'e.

MEDIUM TERM OUTLOOK

With the exception of larger deficit forecasts, the medium term fiscal outlook for the GNWT has not changed from the outlook described last year at this time. As revenues return to historical levels following the one-time increases in 2000-01 and 2001-02, expenditures will exceed revenues, returning the GNWT to a deficit position and increasing the GNWT debt. The surpluses accumulated during the 2000-01 and 2001-02 fiscal years are less than the revenue needed to finance these deficits.

Revenues in 2004-05 are expected to increase \$34 million, or 4 per cent, from \$854 million in 2003-04 to \$888 million in 2004-05. At the same time, expenditures are projected to increase 4.5 per cent, or \$42 million to reach \$973 million. The shortfall between revenues and expenditures will create an \$85 million operating deficit in 2004-05. The projected 2004-05 deficit will cause the GNWT to exceed its authorized borrowing limit of \$300 million.

The following year revenues are expected to increase 4.6 per cent while expenditures increase 4.8 per cent, producing a \$91 million deficit.

Fiscal Framework Operations Summary

(millions of dollars)

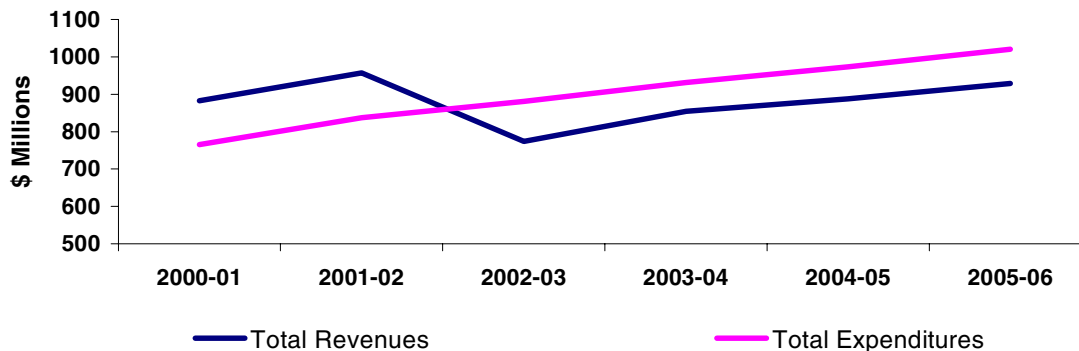
	2001-02 Actuals	2002-03 Revised Estimate	2003-04 Main Estimates	2004-05 Forecast	2005-06 Forecast
Total Revenues	957	774	854	888	929
Total Expenditures	(837)	(881)	(931)	(973)	(1,020)
Operating Surplus (Deficit)	120	(107)	(77)	(85)	(91)
Capital Investment Requirements	98	143	74	71	69
Accumulated Cash Surplus (Deficit)	338	45	(85)	(247)	(428)
Total Debt	(132)	(142)	(214)	(370)	(544)

Revenues

Over the medium term, the major GNWT tax revenues, including personal income tax, tobacco tax, fuel tax, property tax and payroll tax, are expected to grow. Corporate income tax revenue will decrease significantly in 2003-04 as the expected overpayment in 2002-03 is repaid, but will return to a position of growth in future years. The Formula Financing Grant from Canada will decrease dramatically in 2004-05 as the effect of the 2002-03 over-estimate of corporate income tax collections finally works through the system, and revenues return to historical levels.

Based on current projections, it is expected that ongoing GNWT revenues will not meet the Government's growing expenditure demands.

Expenditure Growth Outpacing Revenue Growth



Risks to Revenue Forecasts

All revenue forecasts involve an element of uncertainty. The risk to the GNWT revenue forecast is due mainly to the Formula Financing Grant from Canada estimate since it represents between 60 and 80 per cent of GNWT total revenues in a typical year.

Territorial formula financing arrangements were meant to fill the fiscal gap between the GNWT's expenditure needs and its ability to raise revenues. Each year's Grant is determined by reducing the Formula's Gross Expenditure Base (a proxy for expenditure needs) by the territory's adjusted own source revenues (fiscal capacity). Estimates of the Formula Financing Grant can change as a result of revisions and updates to a number of variables. The most significant changes that affect the Grant calculation are:

- ◆ revisions to the data series used to calculate the Gross Expenditure Base (GEB) escalator (these series include provincial/local (PL) government spending, Canadian nominal GDP, and population growth in both the NWT and Canada),
- ◆ changes made to the Tax Effort Adjustment Factor, which is used to adjust GNWT own-source revenues, and
- ◆ changes to GNWT own source revenues.

1. Population Risk Factors

The NWT population growth estimates used in the Formula Financing Grant forecasts can have a significant effect on the amount of the Grant's GEB. The three-year moving average of the ratio of NWT population growth to the growth in the Canadian population is half of the escalator used to calculate the increase in the GEB.

The current Formula Financing Grant forecast for 2003-04 to 2005-06 relies on NWT population estimates and forecasts from the NWT Bureau of Statistics. The NWT Bureau of Statistics estimates are based on the census assessment completed over the past several months that indicated a total NWT population 4,820 persons more than the 2001 census results. It should be noted that if Statistics Canada's final coverage-adjusted census figures incorporate an undercount estimate one percentage point different from the NWT Bureau of Statistics estimate, the Grant estimate would be different by approximately \$50 million over the 2003-04 to 2005-06 period.

The population forecasts for the 2003 to 2006 period suggest strong growth for the NWT of 2.6 per cent in 2003 with the start of operations at the Diavik diamond mine, followed by growth of 1.4 per cent in subsequent years.

2. Provincial/Local Government Escalator and GDP Ceiling

The Provincial/Local Government Expenditure Escalator (PL) is the other half of the GEB escalator and is subject to a GDP ceiling. The PL escalator measures the growth in total provincial/territorial/local government expenditures and is used as a proxy to measure the growth of territorial expenditure need. The current forecast for the PL growth rate in 2002-03 is 2.8 per cent and in 2003-04 is 4.7 per cent.

The possibility exists that the PL may be lower than currently forecast, if provincial governments restrain expenditures. For example, a 1 percentage point decrease in the PL growth rate for 2003-04 would reduce the 2003-04 GEB by \$2.4 million, and by \$7 million by 2005-06.

If the PL escalator is greater than the three year moving average of nominal national GDP growth in a given year, national GDP growth is used as the escalator, reducing the Grant. However, in the current forecast period, it is unlikely that this will happen.

3. Tax Effort Adjustment Factor

The Tax Effort Adjustment Factor was introduced into the Formula Financing Agreement in 1990 as a way to ensure that the territorial governments had an incentive to tax at a level comparable to the provinces. Tax effort refers to the extent to which a government uses the tax room available to it. For example, although the GNWT does not levy a territorial sales tax, it has the potential to do so and the fact that the GNWT does not levy a sales tax will be reflected by a higher Tax Effort Adjustment Factor. The higher the Tax Effort Adjustment Factor, the higher the value of revenues subtracted from the Grant and, therefore, the lower the Grant.

The Tax Effort Adjustment Factor applies to all GNWT own source revenues over which the GNWT has control of the rate (for example, taxes and fees). The annual portion of the Tax Effort Adjustment Factor measures the change in provincial tax effort from year

to year and is calculated using the estimates from the federal-provincial Equalization program. These estimates can change significantly as new data becomes available. Consequently, large swings can occur in the Tax Effort Adjustment Factor, which in turn increases or decreases the Grant. As the GNWT own source revenues increase in total value, the effect of the swings will be more significant.

Expenditure Needs

In projecting future GNWT expenditure needs, it is necessary to consider the relationship between population, demographics, and inflation. Many factors, including changes in the overall population, changes to the ratio of dependants (those under 18 and over 64) to the working age population, price changes (especially for health care), the government wage bill and capital investment needs have significant effects on projected overall spending levels.

The GNWT faces fiscal challenges that are heightened by the NWT's large land area; small, geographically-dispersed population; young and growing population; harsh climate; and underdeveloped infrastructure. These factors are reflected in the GNWT's high per capita expenditure needs and place stress on its ability to fund public services comparable to the services in other provinces. The GNWT's fiscal challenges are increased by large-scale non-renewable resource development projects that put pressures on social programs and heightened demands on, and for, physical infrastructure.

The GNWT's goal is to provide public services within its capacity to generate revenues. However, the government is facing a situation where revenue growth is not keeping pace with necessary expenditures. The GNWT must find a balance between making expenditures now at the risk of deficits and increasing debt, with the potential for gains in fiscal well-being in the future. Necessary expenditures include those required to meet the needs of NWT residents today and also to invest in the future. For example, investments in training now will allow Northerners to take advantage of future employment opportunities created by resource development. This in turn can mean more tax revenues from NWT residents employed in the higher wage resource sector.

A similar situation exists for capital investment. If the GNWT does not make investments now in such things as highway infrastructure, the NWT is at risk of losing economic development opportunities. A balance must be struck between working towards balanced budgets and investing for the future. The government's fiscal strategy strives to find that balance.

BUILDING THE FOUNDATION FOR TOMORROW - GNWT'S FISCAL STRATEGY

The GNWT's fiscal strategy during the term of the Fourteenth Assembly has been based on the recognition that, in the absence of additional federal investment in the NWT, deficit financing would have to be used if the GNWT wanted to make the investments necessary to ensure that Northerners benefit from resource development. The GNWT's fiscal strategy is to make the investments required to promote, manage and benefit from current and future development of renewable and non-renewable resources without

upsetting the balance between this investment and the expenditures needed for environmental protection and current social programs.

This strategy is based on the assumption that there will be continued economic development in the NWT and that devolution and resource revenue sharing will occur. Until there is a transfer of authority over lands and resources to the appropriate territorial and Aboriginal governments and a resource revenue sharing plan is finalized, the GNWT will continue to try to cope with expenditure pressures that produce unsustainable spending in comparison to revenue. The goal of fiscal sustainability requires a delicate balancing act – one that addresses social and housing pressures and still allows for appropriate investments in transportation and infrastructure. The GNWT must reconcile the necessary expenditures with the goal of balanced investment across regions and in both large and small communities.

The one-time large revenue increases in 2000-01 and 2001-02 have made this balancing act easier for most of the Fourteenth Assembly. However, the fiscal situation has returned to one where revenue forecasts are below spending needs.

Reducing Expenditures

While the GNWT is prepared to finance needed investments and expenditures through deficits, it cannot support deficits as high as those forecast for the medium term. The obvious options available to meet the challenge of matching revenues with expenditures are to reduce program spending through decreased services; reduce program spending through increased program management efficiencies; and increase revenues. The GNWT has established the Corporate Review and Transition Planning Project to explore the expenditure options. The project will identify short and long-term options for government operations. In addition, the project will co-ordinate the development of cost restraint measures that will help to ensure that the GNWT operates within the available financial resources.

Reducing expenditures and finding new efficiencies in cost delivery will not balance the budget. The GNWT wants to create an environment that allows NWT residents to take advantage of economic growth and opportunities, to find stable and meaningful employment, to enjoy high quality public services that support healthy lifestyles, and to enjoy a protected natural environment. Reducing expenditures through decreased services may seriously damage the GNWT's ability to achieve this goal. Reducing services can have unknown long-term negative effects for individuals and the NWT community as a whole. Reducing spending on preventative health measures, for example, may mean increased health costs in the future. Reduced early childhood development programs may rob some children of a chance at a proper education, which in turn deprives the Northwest Territories of residents contributing to their full potential. However, the GNWT will continue to look for ways to reduce expenditures through increased efficiencies.

Increasing Revenues

It is clear that the GNWT will need greater revenue growth in addition to expenditure initiatives. The GNWT revenue forecasts already incorporate the additional tax revenues generated by increased economic activity, net of offsets against the Grant from Canada.

The difficulty in raising revenues is that there must be a balance between the effects of increased revenue with the burden it places on residents. In addition, tax rates must be considered in relation to tax rates in other provinces in order for the NWT to remain competitive. As other provinces lower taxes, the GNWT faces increased pressure to do the same. Consequently, new revenue sources must be explored.

Formula Financing Agreement

The Formula Financing Agreement is not designed to deal with the financial stresses associated with rapid resource development. The design of the Formula Financing Grant might be adequate to fund GNWT programs and services if the GNWT expenditure needs remained similar to those of 1982 when the Formula's Gross Expenditure Base was established. However, growth in the Gross Expenditure Base over time does not provide enough revenue to satisfy the needs of rapid resource development. For example, the Formula does not contemplate the expenditures needed to maintain highways destroyed by resource-related trucking activity.

Nor was the Formula Financing Grant designed to accommodate the investments required to help the Northwest Territories' citizens prepare for the opportunities of large scale economic development, or the extra housing needs, and the extra pressure exerted on existing government programs and services.

The current Formula Financing Agreement expires March 31, 2004. These issues are being discussed with the federal government.

Canada Health and Social Transfer

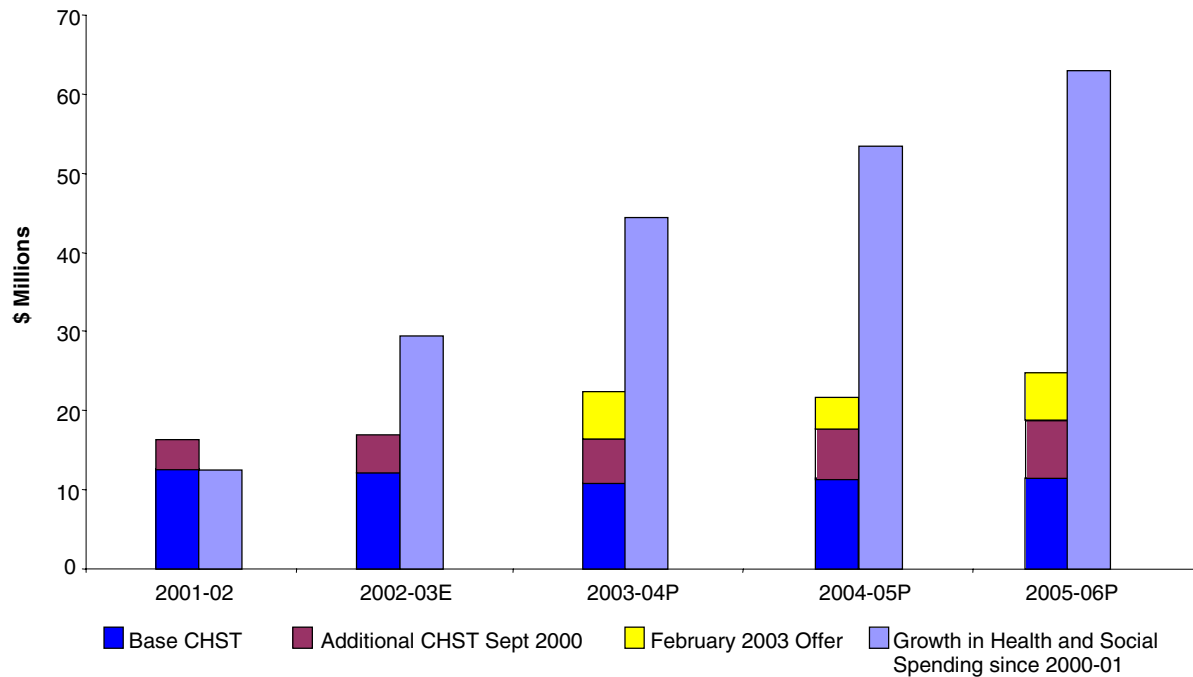
The Canada Health and Social Transfer (CHST) is the main federal government funding vehicle to support provincial and territorial health care, post-secondary education and social services. The CHST is delivered in two parts: a cash component and a tax point transfer component. It is a block transfer that gives provinces and territories the flexibility to allocate spending among social programs according to their priorities, while upholding the principles of the *Canada Health Act* and the condition that there be no period of minimum residency with respect to eligibility for social assistance.

In creating the CHST in 1996, the federal government reduced funding to the provinces and territories for social programs by \$3.8 billion. This reduced the federal share of provincial/territorial health care and major social program costs from 18 per cent to 14.2 per cent in 1996-97. Formula financing arrangements meant that this cut in federal funding would not have affected the territories. Consequently, the federal government cut each territory's formula funding by 5 per cent. The cut represented \$33 million for the GNWT on a post-Division basis, or \$776 per capita. This cut was never restored.

The CHST is allocated to the provinces and territories on a per capita basis. The Northwest Territories' share of the national population is 0.13 per cent. Therefore, for every \$1 billion in per capita funding, the Northwest Territories receives \$1.3 million. In 2002-03, new per capita CHST funding announced in 1999 and 2000 will be \$8 million, or only \$195 per capita.

This gap is difficult to accept since the new CHST funding has restored the dollar amount of the 1996-97 cut in funding to the provinces. The Northwest Territories loses \$40 million per year from the Grant as a result of the 1996-97 cut to the formula base.

Comparison of Total CHST Cash with NWT Health and Social Spending Growth Since 2000-01



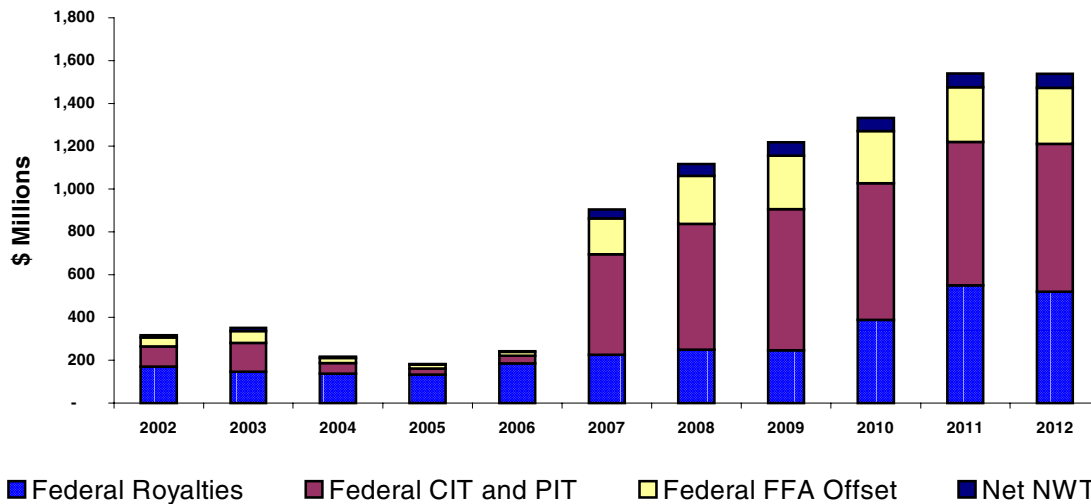
At the February 2003 First Ministers’ Meeting, Provincial and Territorial Premiers asked that a separate new Territorial health care fund be established equal to 0.5 per cent per territory of total new federal health care funding. This was in recognition of the fact that providing health care to small populations scattered over vast geographic areas presents severe challenges, as the economies of scale created by larger populations do not exist. In addition, per capita funding does not take into account the higher costs related to the health of the NWT population and higher costs of living in the North. As a result, the Northwest Territories per capita expenditures for health and social services are twice the national average.

At the First Ministers’ Meeting, the federal government offered the provinces and territories a total of \$12 billion dollars in increased CHST funding over the next three years. Allocated on a per capita basis, this would provide the Northwest Territories with an average of only \$5.2 million a year, or about one and one half week’s worth of health spending in the NWT. Under the Premiers’ proposal, the Northwest Territories would receive an average of \$25 million per year. However, the federal government did not accept this proposal.

Devolution and Resource Revenue Sharing

Most new revenues will come in the form of resource revenues. Currently, the federal government receives all the royalties from non-renewable resource activities in the Northwest Territories. Resource revenue sharing is part of the negotiations for devolution. Further, territorial tax revenues generated by the resource sector activity are offset by reductions in the Formula Financing Grant. Therefore, the net fiscal benefit of

Federal and NWT Net Royalty and Tax Projections from Anticipated Resource Developments (Net Total Revenues After Offset)



Canada's Share: 96%

NWT Share: 4%

resource development for the NWT is small. At the same time, the expenditure pressures generated by rapid resource development are huge. A process is underway to devolve provincial-like authorities and responsibilities for non-renewable resource development to the GNWT and NWT Aboriginal governments.

Strategic Partnerships

The GNWT advocates that the federal government should play a larger role in developing the North. Resource development in the Northwest Territories benefits all of Canada. For this reason, the GNWT lobbied federal Ministers on the GNWT's Strategic Infrastructure Fund proposal: *Corridors for Canada*. The GNWT's proposal included a highway and bridge investment program of \$200 million over four years with a federal share of \$133 million and a GNWT share of \$66 million. The package also proposed additional industry contributions of \$43 million primarily through tolls on the proposed Deh Cho bridge. The proposal was based on infrastructure requirements identified in the GNWT's *Non-Renewable Resource Development Strategy*.

Federal investment will provide concrete benefits to both the Northwest Territories and Canada. Federal investment would accelerate and facilitate diamond mine, natural gas and pipeline developments in the Northwest Territories which benefit all of Canada and particularly Alberta, British Columbia, and Ontario. For example, an economic analysis completed in 2002 estimates that a Mackenzie Valley gas pipeline and economic spin-offs will add between \$40.8 and \$57 billion to Canada's gross domestic product and earn the federal government up to \$18 billion in revenue. More than 157,000 person-years of employment would be created over the lifetime of the project.

To date, the federal government has committed \$20 million toward transportation highway infrastructure in the Northwest Territories from the *Strategic Infrastructure Fund*.

Summary of Operations

	(thousands of dollars)			
	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
REVENUES	854,135	774,475	856,120	957,444
OPERATIONS EXPENSE				
Compensation and Benefits	180,951	173,060	164,856	180,153
Grants and Contributions	462,566	434,374	417,642	396,772
Other Expenses	235,118	240,683	230,290	222,113
Amortization	45,356	40,698	40,200	38,142
TOTAL OPERATIONS EXPENSE TO BE VOTED	923,991	888,815	852,988	837,180
UNADJUSTED OPERATING (DEFICIT) SURPLUS	(69,856)	(114,340)	3,132	120,264
Petroleum Products Revolving Fund – Net Expenditure	-	-	-	(28)
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Regular Operating Requirements	(15,000)	-	(23,000)	-
ESTIMATED APPROPRIATION LAPSES	8,000	8,000	8,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	49,499	52,099	45,757	47,066
Expenditures	(49,499)	(52,099)	(45,757)	(47,066)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	(76,856)	(106,340)	(11,868)	120,236
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	687,521	793,861	833,246	673,625
ACCUMULATED SURPLUS AT THE END OF THE YEAR	610,665	687,521	821,378	793,861

Summary of Revenues

(thousands of dollars)

	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
GRANT FROM CANADA	809,192	280,907	386,579	290,347
TRANSFER PAYMENTS	57,251	48,438	54,953	24,655
TAXATION REVENUE				
Personal Income Tax	51,001	50,504	46,501	42,990
Corporate Income Tax	(181,587)	279,106	263,937	486,285
Tobacco Tax	15,048	12,489	10,229	10,542
Fuel Tax	17,581	17,023	13,809	16,854
Payroll Tax	12,369	11,818	10,107	11,439
Property Taxes and School Levies	7,047	6,958	7,278	6,455
Insurance Tax	2,150	1,700	1,700	2,150
	(76,391)	379,598	353,561	576,715
GENERAL REVENUES				
Liquor Commission Net Revenues	20,897	19,800	17,691	18,588
Regulatory Revenues	12,080	11,337	12,534	11,202
Investment Income	2,774	6,887	4,575	5,847
Other General Revenues	1,132	1,124	187	1,611
	36,883	39,148	34,987	37,248
OTHER RECOVERIES				
Lease and Accommodations	1,530	1,411	1,396	1,400
Service Recoveries	1,492	1,403	1,011	1,612
Program Recoveries	8,108	7,871	7,893	8,704
Commodity Sales	106	105	95	66
Insurance Proceeds	-	-	60	74
Other Miscellaneous Recoveries	20	20	506	482
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	3,555
	14,256	13,810	13,961	15,893
CAPITAL				
Gain on Disposal of Assets	100	100	100	-
Deferred Capital Contributions	12,844	12,474	11,979	12,586
	12,944	12,574	12,079	12,586
TOTAL REVENUES	854,135	774,475	856,120	957,444

Summary of Operations Expenditures by Department

(thousands of dollars)

	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
Legislative Assembly	14,432	14,205	14,047	12,855
Executive	50,183	53,035	50,772	63,287
Finance	10,521	8,107	7,766	6,353
Municipal and Community Affairs	77,994	74,566	70,511	61,229
Public Works and Services	44,218	42,202	41,563	41,046
Health and Social Services	226,182	211,137	199,882	194,217
Justice	75,256	74,347	69,584	65,710
NWT Housing Corporation	52,971	49,276	48,981	47,165
Education, Culture and Employment	210,474	205,352	195,903	194,321
Transportation	76,251	73,024	71,405	71,536
Resources, Wildlife and Economic Development	85,509	83,565	82,574	79,461
TOTAL OPERATIONS EXPENDITURES	923,991	888,816	852,988	837,180

Summary of Capital Investment Expenditures by Department

(thousands of dollars)

	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
Legislative Assembly	-	225	225	-
Executive	600	1,641	1,105	630
Finance	-	-	-	-
Municipal and Community Affairs	8,053	8,590	6,718	6,262
Public Works and Services	1,443	5,956	3,850	4,698
Health and Social Services	10,504	26,268	23,606	30,074
Justice	14,092	29,934	18,846	13,329
NWT Housing Corporation	-	-	-	-
Education, Culture and Employment	9,077	16,581	14,506	9,813
Transportation	27,276	49,719	38,296	32,652
Resources, Wildlife and Economic Development	2,935	3,658	1,925	451
TOTAL CAPITAL INVESTMENT EXPENDITURES	73,980	142,571	109,077	97,909

Summary of Changes in Capital Assets and Amortization

(thousands of dollars)

	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
BEGINNING OF THE YEAR				
Cost of Capital Assets in Service	1,320,328	1,210,814	1,253,406	1,161,102
Accumulated Depreciation	(421,297)	(430,599)	(438,978)	(392,457)
Net Book Value	849,031	780,215	814,428	768,645
CHANGES DURING THE YEAR				
Capital Assets Put into Service	83,053	109,729	83,944	51,784
Disposals	-	(215)	-	(2,072)
Amortization	(45,356)	(40,698)	(40,200)	(38,142)
NET BOOK VALUE OF CAPITAL ASSETS IN SERVICE AT THE END OF THE YEAR	886,728	849,031	858,172	780,215
Work in Progress on Multi-year Projects	112,141	120,927	118,436	93,799
TOTAL NET BOOK VALUE AND WORK IN PROGRESS	998,869	969,958	976,608	874,014

Notes: Capital assets in service include assets purchased, constructed or acquired by a capital lease. Assets put into service during the year include multi-year projects commenced in prior years and completed in the current year plus those projects started and completed in the current year.

Summary of Net Debt and Estimated Borrowing Capacity

(thousands of dollars)

	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
CASH SURPLUS (DEFICIT) END OF YEAR	(85,264)	45,060	101,441	337,747
GUARANTEED DEBT				
NWT Power Corporation	(75,000)	(87,000)	(88,000)	(79,584)
NWT Energy Corporation	(23,000)	(24,000)	(24,000)	(23,914)
NWT Housing Corporation	(31,000)	(31,000)	(28,000)	(28,990)
TOTAL GUARANTEED DEBT	(129,000)	(142,000)	(140,000)	(132,488)
TOTAL (DEBT) SURPLUS	(214,264)	(142,000)	(140,000)	(132,488)
AUTHORIZED BORROWING LIMIT	300,000	300,000	300,000	300,000
AVAILABLE BORROWING CAPACITY	85,736	158,000	160,000	167,512

Notes: Any further guarantees of NWT Power Corporation debt may require a review of the GNWT's overall borrowing authority with the Government of Canada.

Summary of Cash Flows

	(thousands of dollars)			
	2003-04 Main Estimates	2002-03 Revised Estimates	2002-03 Main Estimates	2001-02 Actuals
CASH PROVIDED BY/USED IN:				
Operating Activities:				
Operating Surplus (Deficit) for the Year	(76,856)	(106,340)	(11,868)	120,236
Items not Affecting Cash:				
Provision for Doubtful Accounts	-	-	-	1,665
Deferred Capital Contributions	(12,844)	(12,474)	(11,979)	(12,586)
Amortization of Tangible Capital Assets	45,356	40,698	40,200	38,142
	<u>(44,344)</u>	<u>(78,116)</u>	<u>16,353</u>	<u>147,457</u>
Changes in Non-cash Assets and Liabilities:				
Due from Canada	(3,000)	(133,000)	(185,000)	228,332
Other Current Assets	(11,000)	18,000	18,000	(17,496)
Other Current Liabilities	3,000	32,000	3,000	31,279
Post Employment Benefits	-	-	-	981
	<u>(55,344)</u>	<u>(161,116)</u>	<u>(147,647)</u>	<u>390,553</u>
Net Cash Generated By (Used In) Operating Activities				
Investing Activities:				
Capital Investment Expenditures	(73,980)	(142,571)	(109,077)	(100,518)
Estimated Supplementary Requirements	(17,000)	-	(12,000)	-
Estimated Appropriation Lapses Due to Incomplete Capital Projects	12,000	12,000	12,000	-
Proceeds from Disposal of Tangible Capital Assets	-	-	-	2,324
Decrease (Increase) to Designated Cash/Investments	-	-	-	(4,747)
Decrease (Increase) to Long-term Loans	(5,000)	(5,000)	(5,487)	(1,277)
	<u>(83,980)</u>	<u>(135,571)</u>	<u>(114,564)</u>	<u>(104,218)</u>
Net Cash Generated By (Used In) Investing Activities				
Financing Activities:				
Repayment of Long-term Capital Lease Obligations	(2,000)	(2,000)	(2,000)	(971)
Deferred Capital Contributions	11,000	6,000	3,000	13,255
	<u>9,000</u>	<u>4,000</u>	<u>1,000</u>	<u>12,284</u>
Net Cash Generated By (Used In) Financing Activities				
CASH SURPLUS (DEFICIT) FOR THE YEAR	<u>(130,324)</u>	<u>(292,687)</u>	<u>(261,211)</u>	<u>298,619</u>
OPENING CASH SURPLUS (DEFICIT)	<u>45,060</u>	<u>337,747</u>	<u>362,652</u>	<u>39,128</u>
CASH SURPLUS (DEFICIT) END OF YEAR	<u>(85,264)</u>	<u>45,060</u>	<u>101,441</u>	<u>337,747</u>

PROVINCIAL AND TERRITORIAL TAX RATES, AS OF FEBRUARY 7, 2003

	Combined	Retail	Fuel Tax ^(b)		Tobacco Tax	Payroll	Corporate		Capital
	Top Marginal		Sales Tax	Gas			Diesel	Income Tax	
	PIT rate ^(a)	(%)	(¢/litre)	(¢/litre)	on Cigarettes	Tax ^(d)	Small	Large	(%)
	(%)	(%)	(¢/litre)	(¢/litre)	(\$/carton) ^(c)	(%)	(%)	(%)	(%)
Northwest Territories	42.05	-	10.7	9.1	33.20	1.00	4.0	12.0	-
Nunavut	40.50	-	6.4	9.1	31.20	1.00	4.0	12.0	-
Yukon	42.40	-	6.2	7.2	26.40	-	6.0	15.0	-
British Columbia	43.70	7.5	11.0	11.5	30.00	-	4.5	13.5	0/3.0
Alberta	39.00	-	9.0	9.0	32.00	-	4.0 ^(f)	12.5 ^(f)	-
Saskatchewan	44.00	6.0	15.0	15.0	32.00	-	6.0	17.0	0.6/3.25
Manitoba	46.40	7.0	11.5	10.9	29.00	2.15	5.0	16.5	0.5/3.0
Ontario	46.41	8.0	14.7	14.3	17.20	1.95	5.5	12.5	0.3/0.9
Quebec	48.22	7.5	15.2	16.2	18.10	4.26	8.9	8.9	0.64/1.28
New Brunswick	46.84	8.0	14.5	16.9	23.50	-	3.0	13.0	0.3/3.0
Nova Scotia	47.34	8.0	15.5	15.4	26.04	-	5.0	16.0	0.25/3.0
Prince Edward Island	47.37	10.0	14.0	13.5	22.90	-	7.5	16.0	0/3.0
Newfoundland	48.64	8.0	16.5	16.5	27.00	-	5.0	14.0	0/4.0
Average ^(g)	45.75	6.9	13.7	13.9	22.15	1.88	6.1	12.3	

Notes:

- (a) Combined Federal-Provincial/Territorial highest personal income tax rates in effect for the 2003 tax year.
- (b) Quebec, New Brunswick, Nova Scotia and Newfoundland apply sales tax to fuel. Most provinces have separate tax rates for on-highway and off-highway gasoline. The NWT's off-highway gasoline tax rate is 6.4 cents/litre.
- (c) Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Newfoundland apply sales tax to tobacco products.
- (d) The NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or the rates vary depending on the payroll size.
- (e) Capital tax rates are for large corporations and for financial institutions in the order shown. The tax bases are different for different types of companies.
- (f) Alberta plans to reduce small and large corporate income tax rates to 4.0 per cent and 12.5 per cent, respectively, effective April 1, 2003.
- (g) Average weighted by provincial/territorial population.