

FISCAL UPDATE

Mr. Speaker, I would like to review the government's recent fiscal history and describe why we need to take action to bring our spending back in line with our revenues.

The fiscal situation we currently face is not new. Four years ago the 2004 Budget showed that action was necessary to achieve a sustainable fiscal position. And action was taken early in the previous government. Budgets presented during the 15th Legislative Assembly were consistent in their message that the GNWT's fiscal strategy must be sustainable. But demands on our operating expenditures continued to eat into our revenue base and erode our ability to fund badly needed infrastructure.

Throughout the 15th Legislative Assembly, the long-term structure of the Territorial Formula Financing arrangements, which are the majority of GNWT revenues, was uncertain and the GNWT was hopeful that a resource revenue sharing agreement was imminent. While the GNWT made some expenditure reductions, it chose not to undertake significant restructuring of spending until the longer-term Territorial Formula Financing arrangements were established.

Although the 2007 Budget forecast a \$44 million operating surplus for 2007-08, it also showed that, without change, the GNWT would run operating deficits for the remainder of the planning period as expenditures outpaced revenues and we would be almost \$300 million in debt by 2009-10. This meant that capital investment would need to be curtailed to meet the government's *Fiscal Responsibility Policy*.

We now know what our Formula Financing arrangements will be for the foreseeable future. New arrangements established by Canada in 2007 provide a predictable, principle-based funding source for our government. These arrangements will not change in the near future. We are not expecting additional revenues beyond those already provided for in the current arrangements.

We continue to pursue devolution and resource revenue sharing with Canada, but we must be realistic and recognize that we cannot build budgets around money we do not yet have. Despite higher amounts in previous years, the 2006-07 Federal Public Accounts show royalties flowing to Canada from the NWT were only \$34 million. According to the proposal outlined in the last Federal Budget, we would have received only \$17 million in resource revenues for that year. Even in the longer-term, resource revenues alone will not solve our fiscal challenges.

We are looking at limited revenue options as part of our fiscal strategy, but we know that we cannot solve our fiscal situation solely by increasing taxes on NWT residents and businesses. We must live within our means.

The fact is, Mr. Speaker, without action, our spending will continue to grow faster than our revenues. Rather than running the operating surpluses we need to help finance our investments in badly needed infrastructure, we will be running operating deficits and borrowing to pay for our day-to-day expenses. If our expenditures grow at the rate they have over the last four years, by the end of 2011-12 this government will be \$527 million in debt. And along the way we would have no money to invest in the new directions needed to achieve the vision and goals set by this Assembly. Later today I will table a document with information on the fiscal picture presented in recent Budgets and on the *Fiscal Responsibility Policy* of the GNWT.

Mr. Speaker, we have already set out the planning targets to pursue a sustainable fiscal strategy for the Northwest Territories. We have not set out to simply reduce our spending. We have set out to find different ways of doing business and delivering programs and services more effectively, so we can reinvest in the priority areas identified by this Assembly.

I look forward to working with Members to ensure our priorities are met.