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REPLY TO BUDGET ADDRESS

February 8, 2017

MR. O'REILLY: Merci, monsieur le President. I will use my reply to the Budget Address to set out some of my thoughts on the following: a quick review of what I recommended to the reply to the Budget Address of 2016; description of the process for 2017 and how it might be improved; and the good, the bad, and the ugly of the 2017-18 budget as proposed by Cabinet.

What did I recommend in my last reply to the Budget Address in 2016? I recommended the following: open up the budgeting and business plan review to allow for some level of public scrutiny; set firm deadlines around negotiation processes between Regular MLAs and Cabinet on the budget, which may lead to a process convention of the budget process; better cross-referencing of the Main Estimates to the business plans; clear reconciliation tables to show changes in staffing by departments and by community in relation to full-time and part-time employees as a result of sunseting of programs, reductions, and new initiatives; better engagement of our citizens as part of the budget process; and raising revenues for a more balanced approach to fiscal sustainability. I will come back to these again, the various points, in my reply, but I wanted to highlight them now to help set the context for what follows, the budget process.

Regular MLAs have been working diligently on the budget behind the scenes since September 2016, when we reviewed so-called business plans, which are really departmental budgets. I attended all of those meetings even though I was not a Regular Member of two of the standing committees. One major failing is that there was little or no effort to reach any agreement or consensus of what the overall fiscal context or direction should be prior to that review. The overarching objectives of the budget were not established before the detailed work on business plan reviews began. This is a serious flaw, as was raised yesterday by the Member for Yellowknife Centre.

During those business plan reviews, behind closed doors, most of the presentations and exchanges made reference to the reduction targets given to each department and the overall target of cutting \$150 million. Regular MLAs sent detailed correspondence back to the Finance Minister and held meetings in an attempt to reach some sort of a compromise by rolling back some of the cuts and strongly urging investment in the mandate. We listed unacceptable reductions and provided supporting rationales for our opposition.

The response was to roll back some of the cuts and then offer some new initiatives that were largely based on issues raised in this House in the fall sitting. The new initiatives were not discussed with us first and did not necessarily reflect any particular approach or linkage to the mandate. Further reductions were also introduced that more than offset the cuts that had been rolled back.

Given the lack of consultation on new initiatives, Regular MLAs spent considerable time developing our own list of strategic investments in the mandate. These were rejected by Cabinet.

After another meeting, one more reduction was rolled back, likely to happen next year, and then a promise of more funding later in our term for another initiative. I should point out the requested revisions from the Regular MLAs amount to a very minor proportion of a \$1.7 billion overall budget, less than 2 per cent.

Here we are in a game of chicken to see who will blink first. This is not my idea of consensus government. It is a disservice to our residents.

I go back to one of the recommendations I made last year about opening up the budget process to greater public scrutiny. I believe this will encourage more accountability. There also needs to be earlier, meaningful consultations with Regular MLAs about the overall fiscal context and direction of the budget. I think we also need to develop a process convention for the budget.

Lastly, in terms of the budget process, I am not aware of any attempt to engage the public in the development of this budget. The Finance Minister used to hold annual public consultations. These resulted in a shopping list of public suggestions, but at least the effort was made to gather some input. The Premier spoke in his sessional statement about Cabinet open houses. While this is a worthwhile effort, I went to the open house here in Yellowknife and there was no invitation to discuss the budget.

Last year I recommended improved efforts, a public engagement, but this has fallen on deaf ears. In my previous life, I volunteered with a Yellowknife-based non-governmental organization. I remember having at least four or five Finance Ministers come to our meetings pre- and post-budget to hear us out. Similar meetings were held with others, including the business community and Aboriginal governments.

For the life of me, I don't understand why our Cabinet and Finance Minister have stopped this practice of focused meetings on budgets. This only reinforces the impression of government being aloof and unresponsive. Continue this approach at your own peril.

The good, the bad, and the ugly of the budget. I'll start with the good, Mr. Speaker. There are some good points in this budget. It would be unfair and dishonest of me not to recognize this work by our colleagues on the other side of the House. Here is my list of favourite, good things in the budget.

There is a small increase in tobacco taxes and some fees. Some of these fee increases are long overdue, but should have been phased in. It took a long time for me to better understand what Cabinet is actually doing in terms of income assistance and the NWT Child Benefit because the communication was so poor, but I am now convinced that there will actually be an increase in support for our most vulnerable individuals and families. This is a very good thing and has my support. Hats off to Cabinet, but please find a better way to explain all of this, especially to our clients and the general public.

We also need to work very hard to ensure that everyone files tax returns to see the full benefit of these changes. The addition of \$500,000 to support senior staying in their own homes through a home repair program is another good move, but definitely not enough and low compared to the \$1.85 million investment requested by Regular MLAs.

The new funding for homelessness in Yellowknife is desperately needed and another positive item in this budget. It is very good to see GNWT supporting the comprehensive homelessness plan coordinated by the City of Yellowknife.

We will finally get 9-1-1. I've raised this on many occasions in my short time as an MLA and sincerely thank Cabinet for seeing the light. There's still a lot of work to do with the City and others to get this fully implemented, and I look forward to helping with this essential service.

An additional \$132,000 for a North Slave tourism officer is a good thing, but I'm just not quite sure what it's going to be used for while we have a crumbling visitor centre that desperately needs to be rebuilt.

A relatively small increase in funding for community governments for infrastructure and services, that's another good thing in the budget. There's still a need for a plan and money to make up the municipal funding review shortfall.

Mr. Speaker, now onto the bad things in the budget, in my opinion. Your budget trumpeted lots of great investments, but most of this is actually forced growth beyond our control. I believe the budget should have been much more transparent and more accountable in presenting the cuts, especially positions to be eliminated through sunsets and reductions. No one likes to deliver bad news, but it's even worse to hide it. If you don't disclose some of the bad and ugly items in the budget, that's now the job of this side of the House, so let's go.

No new taxes except for a small increase in tobacco taxes. Taxes are the price of civilization. To focus almost exclusively on reduction sends the wrong message. Taxes are also a way for us to start to ensure that wealth is shared. The world, this country, and the Northwest Territories have witnessed growing and unparalleled gaps between rich and poor. Our government has done little to address this issue through the tax system. For example, we should create a new income tax bracket for our highest income earners. Competitiveness and capitalism rule in our race to the bottom.

If our government is to have any credibility and moral authority to implement the drastic austerity it preaches, there must be an equal effort to raise new revenues through our tax system and fair return to government from the extraction of non-renewable resources.

In this budget, lip services is paid to renewable energy. No new investment in renewable or alternative energy, but a decrease through the sunseting of \$760,000 of funding leveraged by Regular MLAs during the bailout of the NWT Power Corporation for diesel to replace hydro power during low water levels. What are we waiting for? Federal dollars to rain from heaven? There are no positive proposals to get our communities off diesel or for housing retrofits to bring our stock out of poor need.

We can subsidize the road to help the Fortune NICO mine to the tune of about \$130 million, but we can't find a cent to increase the \$2.75 million budget for Arctic Alliance that delivers programs on renewable energy and conservation. To be clear, Regular MLAs propose an increase in funding for Arctic Energy Alliance of \$1.5 million a year, but this was rejected. The next time the entire Cabinet goes to Ottawa to outline its climate change fighting priorities, it would be good to talk to the lowly Regular MLAs beforehand. Cabinet could have pitched costed programs to bring all of our housing out of core need while we created employment in all our communities, lower the cost of living, and make real reductions in our greenhouse gas emissions.

My colleagues have raised the point that, although the addition of \$3 million to the small communities' employment fund is interesting, their concerns are about being able to actually get the money out the door. The GNWT needs to move this program from wage subsidies to actual job creation. Virtually no work has been done, and certainly nothing has been shared with Regular MLAs on a carbon tax. There is no money identified in the budget for this work, although a carbon tax gets an honourable mention in a few places in the Budget Address.

Within Environment and Natural Resources, there will be five positions cut at headquarters, four of these in corporate management that appear to be related to communications and policy. There was a lack of detail in the publically available ENR business plan. This is troubling, and I'll have lots of questions. My main concern is the internal capacity of this department, which has a lot on its plate with at least six legislative proposals that have not seen the light of day.

ENR is also responsible for major public policy initiatives, including the climate change strategic framework and heavy communications responsibility with caribou and fire management. How can this work be accomplished with a reduced capacity when it is already behind schedule?

While the Finance and ENR Minister bolstered about action on transboundary water management, he's making cuts of about 5 per cent, or \$155,000, in the water management function within water resources at ENR. I will obviously have questions on this and how this really squares up with our commitments to protect water.

I'll move on to Industry, Tourism and Investment, where cuts are being made to our efforts at economic diversification. While all of Cabinet was off in Vancouver, the budget presses were at work to cut 17 per cent, or \$2 million, compared to grants and contributions for economic diversification and business support last year. I recognize that some of this is sunsets, but there are also some reductions in there. For example, the budget of the Business Development Investment Corporation is being cut by 15 per cent, or \$500,000. So much for Cabinet's commitment to economic diversification.

Now, on to the Department of Lands, which will also take some heavy cuts of almost 7 per cent, or almost \$2 million. Travel for field operations or inspections is being slashed by a whopping 33 per cent, or \$415,000. What is going on? Needless to say, I'll have lots of questions. What happened to our commitment to do things better than the feds under devolution? Is this money that was given to us by the federal government to

manage our resources under devolution now being used to help build a surplus for ill-defined infrastructure mega projects?

Overall, there is about a 14 per cent reduction in the NWT Housing Corporation total expenditures between the revised 2016-17 estimates and the 2017-18 mains. Not good, when our housing stock continued to decline without a real plan to get housing out of poor need.

The mains show a decrease in transitional supportive housing of \$225,000, or a 38 per cent reduction, and the Transitional Rent Supplement program is also being cut by a third, or \$300,000. The Shelter Enhancement Fund is also cut by about 39 per cent from last year. All this in the face of a motion for this Assembly calling for core need in our housing stock to be reduced by 2 per cent per year to bring the NWT housing stock in line with national core need levels. We can hardly wait for the housing survey to be finished and put into action, but the NWT Housing Corporation is not waiting, as it is making some substantial cuts in transitional housing now.

Sorry, Mr. Speaker; on to the ugly parts of the budget. Seventy-nine positions will be lost through discontinuation of programs and services and elimination of positions. This will have a profound negative impact, particularly in small communities where every job is important, and in Yellowknife where another major employer is moving its offices to Calgary.

I didn't even bother this year asking for an economic impact analysis of the cuts because the one done last year was so poor and biased, it was useless.

Cabinet has said that many of these positions to be eliminated are currently vacant. That may be true, but in many cases there may be term or casual people filling those positions who will lose their jobs. Even if the positions are vacant, these programs and services are being lost, and the contribution that they can and should have been making to our quality of life and our economy.

I'd also add that continuing to cut positions while we are in negotiations is a clear sign that Cabinet would rather cut people than find new sources of revenues. That's not the kind of message I think we should be sending to our valued public service.

Offloading cuts onto others, including the implementation of junior kindergarten: there is still no clarity on the timing of junior kindergarten funding and whether it will cover all the costs, which is inclusive of schooling and busing, due to the evasive answers in this House from the Education Minister. Now, there is going to be some kind of magical meeting with the school board chairs to make them find the shortfalls from within. This is totally unacceptable.

Another example of offloading costs is the proposed changes at the Yellowknife Airport. Let no one be fooled that this is driven by improving facilities and economic opportunities. If that was truly the case, it would have been done a long time ago. It was simply low-hanging fruit, a way to reduce expenditures by \$4 million without any real say by users in how the airport will be run or improved. I will have a lot more to say about this, Mr. Speaker, when the report on Bill 7 comes forward to this House.

Departmental amalgamations that were driven by the goal of cost-cutting alone: again, let no one be fooled that the motivation is to improve public services and find efficiencies. If this was the case, where are the zero-based budgeting and functional analyses to support these mergers? How were form and function analyzed to improve public services and programs? Clearly, reduction targets are what guided this effort.

I'm particularly concerned about the amalgamation of Aboriginal and Intergovernmental Relations into the executive, where there will be a continued decline in capacity to carry out negotiations on land rights with Indigenous governments. By the way, let's stop using colonial terms like "land claims" and use "land rights" instead, Mr. Speaker. The 2017-18 business plan for the Department of Aboriginal and Intergovernmental Relations also shows a loss of four positions. In no way do these cuts or this amalgamation support our mandate and the Premier's commitment to speed up negotiations.

Other education-related reductions include \$3.8 million to Aurora College, or more than 10 per cent of the total contribution. What a bad idea in the middle of a strategic planning exercise, the outcome of which seems to inevitably point toward further cuts. Yesterday, we found out that the Minister knew what programs the college was going to cut as far back as November. These cuts include the Teachers' Education Program. The Minister's own labour force survey shows that the most in-demand job over the next 15 years will be -- you guessed it -- teachers.

The contribution to the education authorities is also going to be reduced by \$1.86 million on a total of over \$151 million, but it comes at a time when they're being told to take in junior kindergarten students, without access to inclusive schooling funding and no plan for busing of junior kindergarten students. Ordering school authorities to do more with less is not something I can support.

The proposed elimination of the Mackenzie Delta winter ferry service of \$1.8 million may save some money for infrastructure projects, but it will certainly put Inuvik at risk, as we heard from the mayor last week on the radio. With a storage capacity of a couple of weeks for propane and a possible stoppage in vehicular traffic of four to six weeks during freeze-up and break-up, how can this cut be justified?

In conclusion, Mr. Speaker, I've offered some thoughts on how to improve the budget process, highlighted the need for better public engagement, recommended a focus on diversifying our economy in line with new federal funding and ensuring a more balanced approach that includes more revenues.

As I said last year, what has been driving Cabinet is the belief that big projects in non-renewable resources are the preferred and only future for the Northwest Territories. That way of thinking was blown out of the water in the fall of 2015 with the election of a new government in Ottawa. Their priorities include infrastructure for a cleaner economy, more inclusive schooling, a low-carbon economy, and transformative change. We need to get our housing out of core need while creating local jobs; providing stronger support for tourism, agriculture, and the fishing industry; reduce greenhouse gas emissions; lower the cost of living; and develop a real post-secondary education system with a university for the Northwest Territories. These sectors will create even more jobs than

the non-renewable resource development. This is the kind of leadership I had hoped for in the budget.

Above all, this budgetary process and the resulting plan can in no way be described by the word "consensus." Regular MLAs have attempted to get more strategic investments that benefit the greatest number of our residents, help diversify our economy, and create lasting benefits or avoid future costs. I'm not going to trot out those investments. I've referred to a few of them, and they're going to be available, apparently, later today.

It is most unfortunate that we have come to this point, where there are fundamental disagreements. There are some exciting initiatives in this budget, and I thank my Cabinet colleagues and their staff and my committee colleagues for much hard work in getting us to this point. However, on balance, I cannot support the 2017-18 budget given the fiscal austerity and debt management approach of Cabinet. Mahsi, Mr. Speaker.