

**KEVIN O'REILLY MLA FRAME LAKE**  
**REPLY TO BUDGET ADDRESS**  
**February 12, 2018**

**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, as I did last year:

- A quick summary of the 2018-2019 budget and fiscal context;
- A review of what I recommended in my reply to the 2017-2018 budget address;
- A description of the process for the 2018-2019 Budget and how it might be improved; and
- The good and the bad of the 2018-2019 Budget as proposed by Cabinet.

I'd like to start with:

**Summary of the 2018-2019 Budget and Fiscal Context**

Let there be no mistake, Cabinet continues to cut programs and services to fund surpluses that are being used to pay for large infrastructure projects such as the \$67 million in 2018-2019 for the Tlicho all-season road. The promised spending in the last two years of our mandate is not happening. For example, there is no new funding for the arts or increased investment in renewable energy.

There is very significant financial uncertainty on the horizon, as cannabis revenues and expenses are not included in this budget. There is nothing on carbon pricing, and there will likely be a need to match some federal infrastructure funding opportunities that may mean an increase in our debt wall. One of the solutions that both sides of this House may agree on is the need to change the Territorial Formula Funding Agreement to allow us to keep more of our own source revenues to build economic sustainability.

Revenues are down by \$84 million. I think the public would be shocked to learn that we will raise more money from tobacco taxes (\$16 million) than we get from resource revenues (\$13 million). There have been no serious efforts by Cabinet to stabilize and increase our own source revenues. So much for the promise of devolution where our government would do a better job managing resources than the feds. After almost four years post-devolution, not one word of the mirror legislation or regulations has been changed. We can and should be raising significantly more from mining, as shown by two independent experts who have recently examined our revenues from this sector. As alluded to earlier today, maybe we need an independent review of economic rent from mining. A review of mining royalties has also been put off to some unspecified future date and is very unlikely to be completed within the life of this assembly, as confirmed today by the Minister of Mining. Why should the federal government give this government any more authority over lands and resources when we haven't done anything with the authority we already have?

Lastly, the quality and inconsistency of the departmental budgets or business plans vary widely. Many contained almost no actual details on activities for 2018-2019, virtually meaningless performance indicators and questionable risk profiles, making our review very difficult at best. Cabinet Ministers need to pay much closer attention to their business plans, appropriate for the rationale and justification of a business case for the investment of public funds.

### **What I Recommended from the 2017-2018 Budget**

- Opening up the budget process to greater public scrutiny. I am pleased to say that the opening remarks of the Minister of Finance on the fiscal context were delivered in public, and I believe all sides would agree that was a useful exchange and in the public interest. I cannot report any progress on the development of a process convention for the budget.
- I recommended that there be a formal public engagement process for the 2018-2019 Budget. This was not done, and there doesn't seem to be any appetite to do it in the future. We may have to wait for the next Finance Minister.
- During the three budgets I've been involved in, I've recommended that there must be a serious effort to raise new revenues. I am sorry to report that there are again minimal efforts to raise any new revenues in this budget, other than a commitment to further study a land transfer tax and a tax on sugary drinks, as was promised last year. Perhaps most disturbing, Cabinet and the Finance Minister have not even chosen to do a factual investigation of the possibility of increased revenue generation from royalties and taxes. As I mentioned earlier, they won't even improve the debate with facts.
- Unfortunately, I have to report that the better cross-referencing of the main estimates to the business plans and staff reconciliations are still not found in the main estimates or the business plans.

### **The Budget Process**

This year was a bit of an anomaly with regard to the timing of the review of the departmental budgets or business plans. Rather than the usual September schedule, the review was pushed back into November and early December. I attended all of those meetings, even though I was not a Regular Member of two of the standing committees. The time for this review was much compressed, but it was accomplished with the able assistance of our staff. I know that it is often difficult to accommodate everyone's schedule, but we need to build in more time for ensuring we have responses from Ministers on outstanding issues and questions from the reviews, and Minister needs to respond in a more timely manner. I am pleased to say that Regular MLAs worked together well and put together a coherent set of recommendations to improve the 2018-2019 Budget, and indeed all future budgets.

The compressed timeframe and shifting of the business plan review later than normal has left little time for any kind of negotiations, not that much is happening. Once again, Cabinet has resorted to an exchange of correspondence rather than a real effort to resolve outstanding issues. Regular MLAs have put forward a small set of changes that

consist of rolling back some of the most damaging cuts and very modest improvements and efforts to diversify the economy. The financial “asks” amount to less than 2 per cent of the overall budget. As I said last year, we are once again in a game of “chicken” to see who will blink first. This is not my idea of consensus government, and I believe it's a disservice to our residents.

Of course, most of this could have been avoided had Cabinet bothered to initiate an early consultation with Regular MLAs on the 2018-2019 budget, asking Regular MLAs what we would like to see included. There has never been any real effort to reach any agreement or consensus on what the overall fiscal context or direction should be. Cabinet remains firmly entrenched in its expenditure and debt management approach rather than a more balanced approach that would examine revenue options. Next year, Regular MLAs should work together and send our budget considerations, including specific requests for investment and new revenue options, to Cabinet in time for incorporation into the 2019-2020 budget.

I would like to talk about some of the good things in the budget, Mr. Speaker.

There are some good things. It would be unfair not to recognize the work by our colleagues on the other side. There is some forced growth spending for some programs such as income assistance and other areas, and that is a good investment. Here is a list of some of my favourite new investments in this budget:

- \$1.3 million to implement the new Agriculture Strategy, but it is also divided across several departments with no clear accountability;
- \$1.2 million to support Indigenous and community government action on climate change, to establish candidate protected areas, and to develop monitoring and management options with respect to the Bathurst caribou herd, but it is really funded by internal cuts made within ENR;
- \$2.1 million to fund junior kindergarten in all Northwest Territories communities. However, there is no commitment to actually change the formulas for funding schools to include junior kindergarten students;
- \$1.5 million to increase mental health and wellness resources for children, youth, and their families through child and youth care counsellors, but partially funded by cutting \$475,000 from the budget for the Tlicho and Dehcho education authorities and from other authorities as this rolls out over four years. As we were briefed today, I think this is a good initiative with lots of details to be worked out;
- \$848,000 to improve the diagnosis and case management services for people with autism spectrum disorder and fetal alcohol spectrum disorder;
- \$762,000 to fund a sobering centre in Yellowknife;
- \$653,000 to increase services for children with developmental delays and disorders, those requiring speech and so on;
- \$304,000 to establish a two-person RCMP historical case unit;

- \$300,000 for the Northwest Territories Housing Corporation for rent supplements;
- \$493,000 for six years to convert equity leases to fee-simple title, but those jobs are going to be located in Fort Smith rather than the communities where the work needs to be done;
- Then some special funding for the Northwest Territories/Nunavut Council of Friendship Centres, but we need a policy framework for transparent and accountable decisions around these one-time funding allocations.

Now on to the bad of the budget, in my view. I have to highlight these because they have not actually been brought out by the other side of the House. To start with, here are some items that should have been in the budget, in my view:

An increased investment in renewable or alternative energy, especially at a time when the Arctic Energy Alliance has already run out of funding for its very successful Energy Efficiency Incentive Program rebates. What are we waiting for, for federal dollars to rain from heaven? There are no costed proposals to get our communities off diesel. Cabinet needs to pitch more than just roads to resources to the federal government as infrastructure projects. We need proposals submitted to bring all of our housing out of core need and to build energy and householder energy self-sufficiency, not huge hydro projects without a buyer.

There has been almost nothing shared with Regular MLAs on a carbon tax, and I spoke about that earlier today, Mr. Speaker. There is no money identified in the budget for this work although we have to make a decision by March 30<sup>th</sup> as I mentioned earlier today.

There is no increased investment in the arts in this budget. Last year, Cabinet more than doubled the Mining Incentive Program, to \$1 million in a blink of an eye, but cannot seem to get behind increasing investment in the arts to diversify our economy. Other investment to diversify our economy should have been included for the booming tourism industry, especially here in Yellowknife where we do not have a proper visitor information centre. I would urge all in this House to go over and drop by the visitors' centre so that you can see what it looks like.

More positions will be lost through the discontinuation of programs and services and elimination of staff. This will continue to have a profound negative impact, particularly in small communities, where every job is important. I would 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 resources and revenues. That is not the kind of message I think we should be sending to our valued public service.

There seems to be some funding to assist with junior kindergarten implementation in relation to inclusive schooling. Even though the Minister promised so-called "full funding," the school funding formulas have not been changed to include JK students and the issue of busing remains outstanding.

I believe that the Minister should have been much more transparent and more accountable in presenting the cuts that are contained in this budget, and some of them are actually categorized as "Other Financial Management Board Adjustments." Some of

the cuts are also a continuation from the first two budgets, so the damage is spread out over a longer period of time. If the Minister will not disclose these cuts, sorry, I am going to have to start here, in this House, today.

ENR will see reductions of over \$3 million, more than any other department except for Infrastructure. This department achieved very little in the last year in terms of its legislation, policy development, and communications, largely because of the cuts to its capacity. A further \$371,000 cut in this capacity is contained in the new budget, and, if that was not bad enough, the department has been directed to cut a further \$1 million over the next two years to come up with a promised savings in firefighting aircraft maintenance that did not materialize. Here is a clear case where Cabinet's fiscal strategy is making it nearly impossible for ENR to achieve what is in the mandate.

ENR plans to cut \$150,000 in boreal caribou monitoring, even though this species has now been classified as threatened and a recently developed recovery strategy calls for increased monitoring.

ECE continues to show a \$200,000 reduction to the district education authorities for school administration. Earlier today, I mentioned the reduction in funding for the Tlicho and Dehcho regions for youth mental health counselling. I do think that those are important initiatives with lots of details still to be worked out.

In the Executive and Indigenous Affairs budget, there is new funding of \$387,000 for a deputy secretary of federal engagement to be located in Ottawa. Almost no rationale has been provided publicly. I had expected that this might be used to help secure infrastructure funding, but now it appears to be little more than an effort to further the messaging associated with the Premier's Red Alert. I cannot support the establishment of a Red Alert office in Ottawa.

There is still no plan to roll out government service officers in all communities, including the regional centres and Yellowknife. Regular MLAs have asked for such a plan for the last two years without success. There might even be efficiencies in Yellowknife by working with the federal Service Canada office. It is not good enough for Cabinet to say that additions will be made when there is money. If it was up to me, I would replace the Red Alert office with GSOs, a much better investment of such public funds

The Department of Finance continues to show new funding for \$400,000 for labour relations capacity for marine transportation services which should be removed and allocated to the revolving fund established for that enterprise. This is not the first time that Cabinet has tried to put such MTS-related expenditures into departmental appropriations rather than the revolving fund.

ITI intends to cut a further \$925,000 to the Business Development and Investment Corporation that supports economic diversification. It is not clear what ITI's plans are for this organization beyond using these external cuts to meet its fiscal reduction targets.

Justice intends to eliminate its court reporter program of \$478,000, but this is not discussed in any detail in the business plan. There has been no visible progress on the public resource centre that was supposed to replace the court library, and we remain the only jurisdiction in Canada without a court library.

Lands continues to defer its investment in the Western Arctic Centre for Geomatics at \$570,000, which should be spent now to build on the promises of the Mackenzie Valley Fibre Optic line and help build a regional knowledge economy.

MACA continues with its cuts in support for multi-sport games funding with a further \$250,000 reduction. Bringing the lottery fund in-house should not serve as an excuse to cut departmental appropriations that support sports.

In conclusion, Mr. Speaker, I have offered some thoughts on how to improve the budget process, including early and meaningful consultation with Regular MLAs and the public, ensuring a more balanced approach that includes more revenues, and recommended a focus on diversifying our economy in line with new federal funding opportunities.

Cabinet's dream of oil and gas development has faded, and we need to shift our focus to a more balanced approach, away from an externally controlled, export-driven economy. Cabinet will say that their support for economic diversification through tourism, arts, agriculture, forestry, fishing, and the like remains strong. I don't see that support translating into increased budget allocations. Cabinet's fiscal and economic strategy is to build a cash surplus to provide further subsidies for more non-renewable resource development in the form of public infrastructure. With a new government in Ottawa, the new priorities for infrastructure are a cleaner economy, a more inclusive society, a low-carbon economy, and transformative change.

Cabinet is still locked into the roads-to-resources paradigm when we should be developing plans and strategies for adequate housing and universal childcare so our residents can engage in the economy. We need to get our housing out of core need while creating local jobs; provide stronger support for the arts, 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 of the NWT. These sectors also create more local jobs than non-renewable resource development per dollar of investment. This is the kind of leadership I still hope for in our budgets.

Regular MLAs have again 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. It is most unfortunate that we have come to this point where there are again fundamental disagreements.

There are some exciting initiatives in this budget. I sincerely thank my Cabinet colleagues and their staff, and my committee colleagues for much hard work in getting us to this point. On balance, I will find it very difficult to support the 2018-2019 budget given the continued focus of Cabinet on cutting programs and services to fund infrastructure without any serious effort to increase revenues. Mahsi, Mr. Speaker.