

KEVIN O'REILLY MLA FRAME LAKE

**COMMENTS ON BILL 9:
APPROPRIATION ACT (OPERATIONAL EXPENDITURES), 2018-2019**

March 13, 2018

MR. O'REILLY: Merci, Monsieur le President. I wish to speak to the principle of this bill. It was a month ago that I gave my reply to the budget address. What has changed since then in terms of the 2018-2019 budget now that we have an appropriation bill in front of us?

I want to talk a little bit about the budget process. The reductions in this budget are not as drastic as in the previous two fiscal years, but Cabinet continues to cut programs and services to build larger surpluses to spend on infrastructure projects or roads to resources. The promised spending in the last two years of our mandate is limited to a few new initiatives. This was the approach even before the reduced revenues were announced.

In November 2017, Regular MLAs reviewed the departmental business plans. Phase Two reductions appear in many of the departmental budgets. Overall, the business plans often did not contain enough information for us to understand what specific activities were to be undertaken in 2018-2019.

Regular MLAs sent detailed correspondence listing unacceptable reductions and recommended investments and provided supporting rationales for our positions.

The response was that revenues were lower than anticipated and further study was needed by Cabinet. When the full response was received, Cabinet refused to make any of the changes requested by Regular MLAs. Another exchange of letters took place and then Cabinet finally agreed to about \$1 million in changes after Regular MLAs began to defer departmental budget consideration in Committee of the Whole. The changes that we asked for were less than one one-thousandth of a percentage of the total budget, at least the changes that we have in the appropriation bill before us and the supplementary appropriations that are to come.

As I said last year, few will ever know how hard the Regular MLAs had to work and work together on behalf of our residents to extract any concessions from Cabinet. Budgets also serve to focus discussions and debate on policy and programs. One lesson that we can take away from this is that responses to commitments made in Committee of the Whole reviews of departmental budgets should be prepared in a more timely fashion.

How can we make the budget process more productive next time around? There needs to be earlier, meaningful consultation with Regular MLAs about the overall fiscal context and direction of the budget, even before the development and reviews of business plans. The review of the business plans was rushed this time because of the change in schedule resulting from a mid-term review and other factors. The business plans themselves need to be significantly improved, and Ministers need to be better prepared. I think we also need to develop a process convention for the budget.

I would like to talk a little bit now about some of the details in the budget. There will be some welcome new investment in the social envelope, including youth mental health and stronger support for FASO and autism. I support these initiatives. There are even some new initiatives related to the environment, including completion of the protected areas network and support for communities dealing with climate change. Unfortunately, these environmental initiatives are funded by internal cuts within Environment and Natural Resources.

On the economic side, I support the increased investment in agriculture, but there is really no serious effort to diversify our economy. Additional funding is being devoted to land rights negotiations, which is welcome, but it comes after two years of cuts in such funding. Little work is under way to develop a knowledge economy and the future of Aurora College is still very much up in the air.

The only new revenue initiative in this budget is the proposal to study a land transfer tax and the continued study of a sugary drink tax that is carried over from the previous year. I cannot accept Cabinet's approach of continual cutting without some corresponding and commensurate effort at raising new revenues. I will repeat my words from my 2017 reply to the budget address: the world, this country, and the NWT have witnessed growing and unparalleled gaps between rich and poor. Our government has done little to address this issue through the tax system.

In my reply to the budget address last month, I said the following:

"The public would be shocked to learn that we will raise more money from tobacco taxes, \$16 million, than we get from resource royalties, \$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 federal government. After almost four years after 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. 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. 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 have?"

My experience over the past month just reinforces my belief in these statements.

Some of the specific reductions in 2018-2019 that I believe are particularly short-sighted and harmful are highlighted as follows:

- The environment continues to be a low priority with Cabinet. There is no new investment in renewable or alternative energy as we wait for federal dollars to rain from heaven. The 2016 sunsetting of \$760,000 of funding leveraged by Regular MLAs during the bailout of the NWT Power Corporation for diesel to replace hydropower during low water levels was never replaced in the Arctic Energy Alliance budget. When Regular MLAs proposed increases in funding for Arctic Energy Alliance, this has been rejected.

- Within Environment and Natural Resources, the cutting of five positions at headquarters, four of these in corporate management that are related to communications, policy, and legislation, has seriously reduced the capacity of the department. It has a lot on its plate with at least six legislative proposals; major public policy initiatives, including the Climate Change Strategic Framework; and a heavy communications responsibility with caribou and fire management. This work is already well behind schedule, and it is not at all related to lack of effort by the staff who I have publicly commended. The problem is with the lack of funding and staff to get the job done. ENR is again one of the few departments to continue to take cuts and more are planned in the next two years.
- Boreal caribou monitoring is to be cut by \$150,000 at a time when the species has been listed as threatened and when a recovery strategy is under consideration that will call for more monitoring, not less.
- We have seen numerous examples of government withdrawing funding when there is a hint of federal funding. Cutting our commitments to fund boreal caribou monitoring is simply wrong.
- Funding for the district education authorities is also to be cut by \$200,000 as part of Cabinet's fiscal reduction targets. The hope is that some sort of shared services approach will yield these savings.
- MACA will cut \$250,000 from its budget for multisport games support, as the lottery funds may now be used for that purpose. There will be further cuts over the next year as well.

Lastly, while I appreciate and support the changes being made in the NWT Housing Corporation, there is still no plan or funding to get our housing out of core need. Cabinet appears to have already decided that not one cent of the recently announced federal infrastructure funding is going to be used for housing as well.

In conclusion, Mr. Speaker, this is a better budget as a result of Regular MLAs working together on behalf of all of our residents. I am proud of the Regular MLAs for having pushed for improvements, and I am very happy to continue to work together with them.

However, even with the minor changes there are significant cuts, especially to the environment, and little to no effort or even consideration of new revenue sources. The overall direction from Cabinet's fiscal reduction strategy of cutting jobs, programs, and services to fund infrastructure continues in this budget.

There are some exciting initiatives in this budget, and I sincerely thank my Cabinet colleagues and their staff, and my Regular MLA colleagues for much hard work. However, on balance, I cannot support the 2018-2019 budget, given the focus on spending reductions to fund infrastructure and very limited effort to look at revenues. I will be voting against the appropriation bill. Mahsi, Mr. Speaker.