

## **REPLIES TO THE BUDGET ADDRESS — KEVIN O'REILLY, MLA FRAME LAKE**

**March 2, 2020**

**MR. O'REILLY:** Merci, Madam la Presidente. The Member for Yellowknife North has set a high standard for the replies to the budget address, so I want to recognize his passion and insights. I'm not sure I can come anywhere close to that performance, but I do wish to encourage all my fellow regular MLAs to use this opportunity to set forth their views on the budget, our fiscal situation, and how to translate our priorities and mandate into action through this first budget of the 19th Assembly.

I will use my reply to the budget address to set out some thoughts on the following:

- A quick summary of the 2020-2021 budget;
- High-level observations on the process for the 2020-2021 budget;
- Comments on the fiscal strategy;
- What is not in the 2020-2021 budget; and
- Concluding remarks.

A summary of the 2020-2021 budget and fiscal context. The 2020-2021 budget is a refreshing change from the budgets and practices of the previous Assembly and Cabinet. Although the framework for this budget was set by the previous Assembly, there are no new cuts to programs and services to fund infrastructure. This budget is pretty much status quo, with only \$94 million of new spending, or about 5 percent of the total budget, most of the new spending is tied to matching federal funding and forced growth through increases arising from the recent collective agreements. I agree and can support most of the new spending in this budget including the following:

- Increased funding for mental health and new long-term care beds at the old Stanton hospital;
- More funding for the Arctic Energy Alliance for energy conservation and use of renewables;
- An increase in the funding for Environment and Natural Resources after continuous and devastating cuts of 10 percent over four year. This increased funding often comes from the federal government, but is welcome support for caribou and protected areas;
- Funding to turn the integrated case management pilot into a permanent program, which I strongly support;
- Creation of a specialized territorial support team to assist with youth mental health and additional funding for the successful Northern Distance Learning program;

- Negotiation of a co-management regime for offshore oil and gas, even if there is zero prospect and interest in this activity; and
- A small increase in funding for the NWT Housing Corporation with its growing gap in core housing needs across the Northwest Territories.

About the budget process, Madam Speaker, I can say that the relationship and negotiations with Cabinet over this budget have been cordial and respectful, a much different and welcome change from the last four years. The real crunch has yet to happen in terms of what is to be put forward in a supplemental appropriation to begin to deal with the mandate and the priorities of regular MLAs.

It was difficult to jump into main estimates without more detailed business plans this time around. MLAs were asked to approve millions of dollars of expenditures without adequate justification or explanation in some cases. I do look forward to an approach of four-year rolling plans that will allow greater transparency and accountability.

Some comments, now, Madam Speaker on the fiscal context. Despite the attempts by the Finance Minister to paint a picture of financial stability and sustainability, there are very dark clouds on the horizon. The Minister said that we will exceed the federal borrowing limit of \$1.3 billion by 2020-2021. The operating surpluses, which are required for spending on capital projects or infrastructure, will crash dramatically from \$203 million this year to only \$3 million in 2023-2024. This drop is due to declining revenues, and, in my view, over-spending on capital projects initiated by the last Cabinet, which put roads over people.

The Finance Minister has promised creativity, innovation, and systematic evaluation of programs and services. This will take time and extraordinary focus. It cannot possibly make up the fiscal shortfall, or make a complete strategy moving forward. Put simply, we need more revenues to continue to provide the current level of programs and services, let alone the promises made in the mandate. The Finance Minister has said we have \$25 million to work with to begin to make progress on the mandate over the next four years. That's only about a quarter of the new spending in the 2020-2021 budget alone. The Finance Minister has not shared a costing of the mandate items, despite having been asked that several times. What we do know is that each of the large infrastructure projects, Taltson expansion, the Slave Geological Province Road, and the Mackenzie Valley Highway, will cost a lot more than \$1 billion each. We have to stop fooling ourselves and the public that these can be done at the same time as we simply cannot afford them, even if the federal government gave us, or other potential partners, all the money. There would be lots of costs in simply managing these projects

and the required O and M, as we have seen with the Stanton hospital with its ever-increasing operational costs, some of which are found in this budget, too.

What we do need, and I will continue to push for, is some realistic and detailed economic evaluations of the big three projects against other ways of investing public funds in terms of the number of jobs created, the location of those jobs, building of local capacity, how our labour force matches with job opportunities and other ways of more objectively examining value for money. If I had to choose between investing a billion dollars in the SGP road or Taltson expansion, and getting all of our housing out of core need for \$500 million, and having 20 years of universal childcare, Madam Speaker, it's a no brainer. We would create more jobs, especially outside of Yellowknife, with an investment in housing and childcare, and help our residents to better participate in our economy. Our government needs more money. This was something that the last Cabinet refused to take seriously. We are in a financial and fiscal crunch now with too many big projects being promised, even with matching 75 percent federal funding. The GNWT 25 percent share still comes at a cost that stops, or slows down, other initiatives and investments, especially housing and diversifying our economy.

I pushed the Finance Minister to take the initiative to begin a serious public debate around revenue options and she seems ready to take up that challenge. We need to get the federal government to allow us to keep more, if not all, of our own source revenues to begin to build sound fiscal sustainability. An increase in our borrowing limit is only a partial and short-term solution. Again, we need to raise more money and get to keep it. It is a very serious problem when we raise more money from tobacco and alcohol than we get to keep from the extractive sector. Corporate taxes are a less than ideal way to capture revenues from non-renewable resources. Our one-time natural capital needs also be shared with future generations. A resource tax or capital tax should be seriously examined as a more equitable way of retaining the benefits of resource development. If you don't believe me on this point, look no further than the international expert hired by ITI, who evaluated our management of non-renewable resources and found we should be retaining more revenues. We also need to look at other ways of generating revenues including a high-income personal tax bracket, which other jurisdictions have added, including the federal government, reviewing the fees associated with the post-devolution resource management, raising tobacco taxes that were last increased in 2017, and other means. I welcome this public debate.

What is not in the 2020-2021 budget. I recognize that this budget is status quo and that the mandate will require additional funding, partly through supplementary appropriations. The budget address was virtually devoid of any discussion of the commitment to, and need for, additional resources to ensure completion of the ongoing

Indigenous land rights negotiations, and implementation of the agreements already in place. To assist with these efforts, our government will also need to seriously move forward with implementing the UN Declaration on the Rights of Indigenous Peoples. If we are to achieve more than the one agreement-in-principle at one of the negotiating tables in the last Assembly, more resources and a fresh approach are needed.

There was no mention in the budget of the potential for benefits from the billion-dollar remediation project, here in Yellowknife, around Giant Mine, or the work required to reclaim the Norman Wells fields, or other areas such as Cantung Mine. The remediation economy is the equivalent of at least one of the big projects, and it won't cost us very much, if anything, to get this work by the federal government or the private sector, but we also have to work very hard to ensure that Northerners will benefit from that work. Of course, we must also put in place a proper post-devolution system to identify and manage environmental liabilities before they come back to this government and taxpayers. This is something the last Cabinet failed to do, as we have seen with the Cantung mine, Cameron Hills, and the rollback of mandatory financial security in the Public Land Act. The Finance Minister must stop this bleeding now, working with her Cabinet colleagues.

There is little to no mention of the untapped potential of arts and culture to diversify the economy. This is another no-brainer and there isn't even a whisper of it in the budget. Where is the promised arts strategy that should be used to help identify opportunities for investment and a supplementary appropriation that puts that into action?

There are many other commitments from the mandate and elsewhere that will require attention and investment, likely well beyond the \$25 million that is available under the current fiscal strategy. This includes addressing the municipal funding gap; completing the network of the single-window service centres in all our communities; more work to protect caribou habitat; building food security, including an increase to the Community Harvester Assistance Program; other food production initiatives; and last but not least, housing. Without affordable, suitable, and adequate housing, and 42 percent of our population does not have that, people cannot meaningfully participate in our economy.

In conclusion, Madam Speaker, the decisions of the last Cabinet and the majority of the last Assembly have clearly boxed us in, in terms of our fiscal situation and budgetary options. The cuts to programs and services to fund big infrastructure projects has pushed us closer than ever to the debt wall, resulting in more short-term borrowing and increased debt servicing costs. The infrastructure from the last Cabinet continues to lead to increased O and M costs and has generally failed to bring the anticipated benefits, whether it is the Mackenzie Valley fibre link that has not tied in communities,

the failure to support tourism in Tuktoyaktuk, the lack of northern workers on the Tlicho All-Season Road, or the deficiencies in the Stanton Territorial Hospital building. I am pleased to see this Cabinet beginning to promote a more balanced approach to our mandate and this budget with its people-focus. We need to spend more on our basic needs, whether it is housing, healthcare, or education, for the long-term outcomes our citizens deserve, and find the resources to do that. This means more revenues and new fiscal arrangements with Ottawa.

I sincerely thank my Cabinet colleagues and their staff, and my committee colleagues, for much hard work in getting us to this point. I have the feeling that the chances for change, transformative change, are greater now than any other point during my time in this Assembly. Madam Speaker, I may actually vote in favour of this budget, which has not happened for quite a long time. Mahsi, Madam Speaker.