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REPLY TO 2021 BUDGET ADDRESS

February 8, 2021

MR. O'REILLY: Merci, Monsieur le President. I 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 second budget of the 19th Assembly. Of course, our priorities have changed with the pandemic, and while I encourage Cabinet to stay focused on that emergency, the mandate should not constrain what we need to do. We also cannot possibly achieve everything in the mandate, either. I will make some suggestions as to how to better focus our work going forward to ensure economic relief and recovery and to build long-term sustainability.

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

- a quick summary of the 2021-2022 budget;
- high-level observations on the process for the 2021-2022 budget;
- comments on the fiscal strategy;
- what is not in the 2021-2022 budget; and
- some concluding remarks.

Summary of the 2021-2022 Budget and Fiscal Context: The 2021-2022 budget is the largest ever for this government. There are no new cuts to programs and services to fund infrastructure. I am glad that there are no cuts compared to where we were four years ago with the previous Cabinet. There is only \$117 million, though, of increased spending or about 5.5 percent of the total budget. I agree and can support most of the new spending in this budget, including the following:

- increased costs of existing health services;
- increased capacity in Child and Family Services;
- funding to participate in the National Housing Co-Investment Fund that the Regular MLAs fought hard to get added in;
- the final phases of the Child and Youth Care Counsellors program, including a travelling mental health team;
- increased funding for Income Assistance;
- some money towards the municipal funding gap;
- more funding for Northern Distance Learning;
- expansion of the dialysis unit in Hay River;
- increased funding for Indigenous language revitalization that the Regular MLAs pushed for;

- increased funding for daycare spaces
- more funding for long-term care services provided by AVENS;
- increased funding to emergency shelters;
- a renewed tourism strategy with Tourism 2025;
- funding to advance the knowledge economy;
- increased funding for the Sustainable Livelihoods Program;
- more funding for work on climate change; and
- the creation of a gender equity unit.

There are some spending items I cannot support, including increased funding to the NWT Petroleum Resources Strategy when there is no interest in exploration or development beyond possible production for local consumption.

I want to talk, Mr. Speaker, about the budget process. I can say that the relationship and negotiations with Cabinet over financial matters have generally been cordial and respectful, a much different and welcome change from the previous regime. With this budget, we had the benefit of the four-year business plans, although the links or changes could and should have been better documented and highlighted. In addition, it would have been very helpful to hold a meeting between the Minister of Finance and Regular MLAs to discuss priority areas for increased funding prior to development of this budget. That didn't happen, but I would encourage the Minister to do this next year.

Fiscal Context, while I appreciate the difficulty of trying to carry out prudent fiscal management during a pandemic, we are facing a fiscal crisis, despite anything to the contrary from the finance Minister. We just had our debt limit increased to \$1.8 billion, and in this budget, we are already at \$1.59 billion. Operating surpluses, which are required for spending on capital projects or infrastructure, have crashed dramatically, from a predicted \$203 million to a deficit of \$31 million this year alone. Only \$68 million is predicted for 2021-2022. This drop is due to declining revenues and, in my view, overspending on capital projects initiated by the last Cabinet, which put roads over people. Unfortunately, we seem to be on the same path.

The Finance Minister promises creativity, innovation, and systematic evaluation of programs and services through the Government Renewal Initiative. While I support rigorous program evaluation, this will take time and extraordinary focus. It cannot make up the fiscal shortfall or make for 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 untold story of the 2021-2022 budget is the catastrophic collapse of our own-source revenues, namely resource royalties and corporate taxes. I'll have questions for the Minister of Finance later today. Do we really expect to get nothing, zero, in terms of resource revenues from mining in the current year and only \$1.5 million in 2021-2022? It's predicted we will raise about \$28 million from alcohol and \$14.5 million from

tobacco, but corporate taxes and mining royalties are going to be about \$2 million this year and even less next year, with negative corporate taxes.

Why does this government continue to promote mining if we don't get any direct revenues? This is a serious question that this government must come to terms with as part of its review of the fiscal regime for mining. In fact, there is no mention in the entire budget of any efforts to stabilize or increase any revenue sources. I am going to press the Minister of Finance to publicly release another version, hopefully with less anti-tax rhetoric, of the revenue options paper.

We need to start to have a public debate about options to raise revenues, such as an updated Territorial Formula Finance arrangement and keeping more, if not all, of our own-source revenues. A pandemic may not be a great time to introduce new taxes or increase taxes, but our current path is completely unsustainable. We need to have that debate. Some trumpet the reduction of the small business tax in terms of fairness and competitiveness. I've tried unsuccessfully now for five years to get Cabinet to seriously consider adding another personal income tax bracket in the same spirit of fairness and competitiveness. We're one of the few jurisdictions left in Canada that only has four income tax brackets. Nova Scotia went to five in 2010. British Columbia and Ontario went to five in 2014. New Brunswick went to six in 2015. Newfoundland and Labrador went to five in 2015 as did Yukon. Alberta went to five in 2016. Even the federal government went to five in 2016.

The Finance Minister has said we have \$25 million in discretionary funds to work with to begin to make progress on the mandate over the next four years. The Finance Minister has never shared a costing of the mandate items, despite having been asked for 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 that these can be done at the same time. We simply cannot afford them all at the same time, even if the federal government gave us or other potential partners all of the money. There would be lots of costs in simply managing these projects. For example, we have seen with the Stanton Territorial Hospital with its ever-increasing operational costs, some of which are found in this budget for the first time.

What we do need, and I will continue to push for, is some realistic and detailed economic evaluations of the big three projects in comparison to other ways of investing these public funds. We need to look at the number of jobs created, the longevity and the location of those jobs, building of local capacity, how our labour force matches with the 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 or having 20 years of universal childcare, this would be 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.

There is no funding for the large projects other than dribs and drabs provided by the feds for planning. There are no confirmed buyers or users in some cases and we cannot afford them. We need to make the tough decisions now about these three large

infrastructure projects to stop us going over the fiscal cliff. We should focus on a phased approach for the Mackenzie Valley Highway to ensure we maximize local benefits, and we should drop the other two projects. That way, we can focus on people's immediate needs and build a more sustainable NWT.

Mr. Speaker, I want to turn to what is not in the 2021-2022 Budget. I recognize that this budget is status quo and that the mandate will require additional funding, partly through supplementary appropriations. Perhaps, the greatest missing item in the budget is the absence of any new funding for a comprehensive economic relief and recovery plan. In fact, there is no plan other than what has been cobbled together almost exclusively using federal assistance. We need the plan and a clear identification of any funding needs or gaps particularly for small business support, an area that we have some control over. That plan needs to include further support for the service sector, tourism, agriculture, and, even better, food security and the performing arts. We must look at how we can transform our economy to better take advantage of our knowledge, the Polytechnic university, and environmental remediation. No plan and no money in this budget is not a good place to be at this point in terms of economic relief and recovery.

In terms of other items that should have been in the budget, I have been a persistent advocate for midwifery, having raised it 15 times in this House over more than five years. A territorial midwifery program has been in development for at least seven years and seems to be stalled now as there are no further funds for its implementation. As I understand it, COVID has again intervened as a competing priority. While I understand the fiscal cliff this government is facing, investment in completing a territorial midwifery program has long-term savings and preventative benefits. It makes sense to support mothers, babies, and families get the best possible start. I will have more to say about this when we review the Health and Social Services budget in Committee of the Whole.

The budget address was virtually devoid of any discussion of the commitment to and need for additional resources for completion of the ongoing Indigenous land rights negotiations and implementation of the agreements already in place. To assist with these efforts, our government also needs to seriously move forward with implementing the United Nations Declaration on the Rights of Indigenous Peoples. If we are to achieve more than the one agreement-in-principle at one self-government table in the last Assembly, more resources and a fresh approach are needed. It's not clear whether new mandates and/or negotiators have been identified to carry forward this important work.

Barrenground caribou surveys are to be done this upcoming summer as the surveys were cancelled in 2020 due to COVID. However, ENR has no funding for 2021-2022 budget to carry out this work. It's not clear where the funding would come from other than internal cuts. This is how ENR funded its work on legislative initiatives in the last Assembly, and it had a devastating impact on its work and morale. We have made very little progress in taking any concrete steps to save caribou and most of the herds are in a desperate state. The surveys are one of the key ways to determine the health of the herds and should be a funded activity.

There was no mention in the budget of the potential for benefits from the billion-dollar remediation of Giant Mine or the work required to reclaim the Norman Wells fields or

other areas such as Cantung. The remediation economy is the equivalent of at least one of the big projects. It won't cost us anything as this is work to be done by the federal government or the private sector, but we have to work much harder to ensure Northerners will benefit. 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 and this side of the House.

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 spur on economic recovery?

There are many other commitments from the mandate and elsewhere that will require our attention and investment, likely beyond the \$25 million that is available under the current fiscal strategy. This includes completing the network of the single-window service centres in all our communities. We need additional and redirected revenues for addictions that should be focused on aftercare and mental health support. Measures to fight poverty including in my wildest dreams, a guaranteed basic income program. That also needs to be addressed. I will be happy to work with my colleagues on this side of the House to push these priorities.

In conclusion, Mr. Speaker, the decisions of the last Cabinet and the ongoing impacts of the COVID pandemic have clearly boxed us in, in terms of our fiscal situation and budgetary options. Previous cuts to programs and services to fund big infrastructure projects has pushed us closer than ever to the debt wall coupled with additional spending on COVID. This has resulted in more short-term borrowing and increased debt servicing cost. The infrastructure agenda from the last Cabinet continues to lead to increased O&M costs. It 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 stimulate tourism in Tuktoyaktuk, the lack of northern workers on the Tliche All Season Road, or the deficiencies in the Stanton Territorial Hospital P3 arrangement.

I am pleased to see this Cabinet beginning to promote a more balanced approach to our mandate in this budget with no reductions. We need to spend more on our basic needs, whether that is housing, healthcare, or education, for the long-term outcomes our citizens deserve, and we need to raise the resources to do that. This means more revenues and a new fiscal arrangement with Ottawa. Now is the time to start to focus on building a more sustainable revenue base for the NWT.

I sincerely thank my Cabinet colleagues and their staff and my Committee colleagues for much hard work in getting us to this point. We still have more work ahead of us to ensure that the priorities of regular MLAs are more clearly reflected in the budget, but I am confident that working together we can reach a reasonable compromise and a better balance. Mahsi, Mr. Speaker.