



BUDGET DIALOGUES 2024

What We Heard Report

August – September 2024

DIALOGUES SUR LE BUDGET 2024

Rapport sur ce que nous avons entendu

2024

Le present document contient la traduction française
du sommaire et du message de la ministre.

Government of Northwest Territories
Gouvernement des Territoires du Nord-Ouest



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Minister's Message

As Minister of Finance, I am proud to present the Budget Dialogues 2024 report. This year's dialogue reflects the GNWT's ongoing commitment to engaging with Northwest Territories (NWT) residents, Indigenous governments, community leaders, and stakeholders from across sectors. The conversations we have had are critical to the continued work of this government to achieve the objectives of our fiscal sustainability strategy, "Restoring Balance," which was launched earlier this year.

Our territory faces significant fiscal challenges. The pressures on our resources, compounded by natural disasters in 2023-24 and rising debt levels, have placed us in a position where we must make tough decisions. However, these challenges also present an opportunity to refocus our spending and ensure that our priorities are aligned with the needs of NWT residents. The "Restoring Balance" strategy is not just about avoiding deficits—it is about ensuring long-term fiscal sustainability while continuing to invest in critical areas like healthcare, education, infrastructure, and social services.

Through Budget Dialogues 2024, we engaged directly with the public and stakeholders to better understand their priorities and concerns. These sessions, along with the responses to our online survey, have provided invaluable insights that will inform the Budget 2025-26 and beyond. We heard clearly that NWT residents want to see government spending focused on the things that matter most to them—healthcare, housing, education, and infrastructure. At the same time, they have urged us to find efficiencies in government operations, reduce duplication, and explore ways to increase revenue.

As we look ahead, our government will continue to be guided by the principles of fiscal responsibility and transparency. We must make choices that not only address the immediate fiscal pressures but also set the foundation for sustainable growth and prosperity for all residents of the NWT. This includes making tough decisions about spending, exploring opportunities for economic diversification, and building partnerships with Indigenous and community governments to ensure that all voices are heard and included.

I want to thank everyone who participated in Budget Dialogues 2024. Your input is invaluable, and your contributions will help shape the decisions we make as we prepare the second budget of the 20th Legislative Assembly. Together, we will continue to work toward a stronger, more sustainable future for the Northwest Territories.

Honourable Caroline Wawzonek
Minister of Finance

Message de la ministre

Madame Caroline Wawzonek
Ministre des Finances

Executive Summary

The Budget Dialogues 2024 were organized by the Government of the Northwest Territories (GNWT) to engage residents and stakeholders in discussions about fiscal priorities and the GNWT's ongoing "Restoring Balance" strategy. The strategy aims to avoid operating deficits while managing short-term debt repayment, capital expenditures, and limits on new spending initiatives. The feedback received during these dialogues will inform the Budget 2025-26 planning cycle.

Engagement Process

The dialogue process involved five targeted engagement sessions with Indigenous governments, businesses, NGOs, and community governments, along with one public session. Additionally, an online survey was open to all NWT residents. Key themes emerged from the sessions, focusing on public service size, economic development, infrastructure, regulatory efficiency, and social and community support. Concerns were raised about the size and compensation of the public sector, which business stakeholders believe hinders private sector competitiveness.

Key Themes from Engagement

Public Service and Compensation: Stakeholders expressed concerns about the large public service and high compensation levels, which they feel undermine private sector growth.

Economic Development and Infrastructure: There was strong support for private investment in infrastructure, including toll-based projects and privatization of Crown Corporations, with an emphasis on revenue generation.

Regulatory Efficiency and Spending: Streamlining regulatory processes and improving spending efficiency were highlighted as essential to reducing government waste and supporting fiscal sustainability.

Social Support and Community Services: Indigenous and community stakeholders emphasized the need for enhanced social services, particularly in health, education, and cost-of-living support, to prevent population decline.

Survey Findings

The online survey, completed by 112 residents, revealed healthcare, education, and housing as the top spending priorities. Respondents supported streamlining government operations, improving healthcare access, and investing in infrastructure. Recommendations included reducing government workforce and focusing on core services, optimizing healthcare delivery, and leveraging technology for operational

efficiencies. Some suggested revenue-generating measures such as implementing a territorial sales tax and increasing fees for government services.

Next Steps

The insights from Budget Dialogues 2024 will be instrumental in shaping the Budget 2025-26. While participation was modest, the feedback provided valuable guidance on spending priorities and fiscal challenges. This input aligns with the goals of the GNWT's fiscal sustainability strategy and will help guide the territory's future economic and social development.

Sommaire

Introduction

A. Context

The purpose of *Budget Dialogues 2024* is to engage residents and businesses in the Government of the Northwest Territories' (GNWT) budgeting process, to discover their views on fiscal choices and where they see opportunities for reducing costs.

The information received during these dialogues will be used to prepare Budget 2025-26 and help continue *Restoring Balance*, the GNWT's fiscal strategy of avoiding operating deficits while continuing to invest in priority areas.

There are four main objectives under the *Restoring Balance* fiscal strategy:

- short-term debt repayment of \$150 million by March 31, 2028,
- pay for capital entirely by operating surplus,
- limit annual supplementary reserve to \$35 million, and
- limit annual forced growth and initiatives to \$10 million.

B. Fiscal Situation and Outlook

The GNWT started the 20th Assembly in a tight fiscal position because of flood and fire expenditure shocks in 2023-24 but debt was already increasing.

The main issue is that expenditure pressures are exceeding GNWT revenues and that is not sustainable regardless of the federally-imposed borrowing limit of \$1.8 billion.

The GNWT is close to the federally imposed borrowing limit and going offside would be violating federal law. We need to take our debt situation seriously.

The GNWT already experienced a credit rating downgrade in 2022 and that was before the string of interest rate hikes that brought rates to where they are today. Lower ratings mean more expensive debt. Debt used to be cheap, but now higher interest rate risks using money that could be used to pay for programs, services and capital that the territory needs.

C. Process/Format

Engagement sessions

All Budget Dialogues engagement sessions were conducted via a webinar format, and the public meeting was held in Yellowknife with a webinar option. Targeted engagement sessions were held for:

- Indigenous governments
- Business and industry
- Community governments
- Non-governmental organizations.

In addition to the targeted sessions, one in-person public engagement session was held at the Nova Hotel in Yellowknife. This meeting was also broadcasted live using Microsoft Teams. Online participants also had the ability to send in questions and comments so they could participate in the session,.

The Minister of Finance hosted each event, beginning with a presentation summarizing recent operating expense budgets and the fiscal context of the GNWT, and then opening the floor to hear what participants had to say and answering questions arising from the conversation. The Minister encouraged a dialogue with participants about how the GNWT budget could address their concerns about economic, fiscal and social issues facing the territory.

Online survey

All Northwest Territories residents were invited to participate in an online survey. Participants also had the option to send in their own written submissions.

The survey included the following questions:

- 1) **Spending Priorities.** The GNWT wants to make sure everyone in the Northwest Territories benefits from its programs and services, including Indigenous communities and people who need extra help. We're working to improve our programs so they make a real difference in people's everyday lives. How do you think the GNWT should spend its budget? How would you change GNWT spending? What programs and services are most important to you?
- 2) **Finding efficiencies and savings.** In February 2024, the GNWT launched Restoring Balance: A Fiscal Sustainability Strategy for the 20th Legislative Assembly. The GNWT is evaluating programs and services to determine where we're duplicating efforts and inefficiently using resources. Actions resulting from implementing the Fiscal Sustainability Strategy will increase revenues or reduce expenditures by \$150 million in future budgets. How can the GNWT more efficiently deliver programs and services? Where do you think the GNWT can find savings to support its fiscal goals?

- 3) **Revenues.** About 80% of the money the GNWT uses to deliver programs and services to residents comes from the Government of Canada. This amount is set through standard funding agreements and formulas that we do not control. What do you think the GNWT can do to increase revenues?

Results

A. Engagement sessions

A total of five engagement sessions were held between August 13 and September 20. The following table summarizes attendance at each session.

SESSION	PARTICIPATING ORGANISATIONS
Non-Governmental Organisations (August 29 th)	Chartered Professional Accountants of Northwest Territories/Nunavut YWCA NWT* Canadian Cancer Society Salvation Army* Union of Northern Workers* Young Women's Christian's Association The College and Association of Nurses of the Northwest Territories * provided written submissions in addition to participating in engagement session. Feedback from written submissions is reflected in <i>Observations from Engagement Sessions</i> section.
Public	Online attendees: 4 In-person attendees:
Business Groups (September 3 rd)	CIBC NWT and Nunavut Chamber of Mines Diavik Diamond Mines Inc. Denedeh Investments Vital Metals/Cheetah
Indigenous Governments (September 12 th)	Yellowknives Dene First Nation Fort Smith Métis Council

Community Governments (September 20 th)	City of Yellowknife Community Government of Behchokò Community Government of Whatì Hamlet of Enterprise Hamlet of Tsiigehtchic Hamlet of Tulita NWT Association of Communities Town of Fort Smith Town of Hay River Town of Inuvik Town of Norman Wells Village of Fort Simpson Yellowknives Dene First Nation
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Observations from Engagement Sessions

Public Service Size and Compensation

Feedback from business and industry, as well as non-governmental organizations (NGOs), highlighted concerns about the size and compensation of the public service. Business and industry representatives believe that the public service is too large and that the amount spent on compensation is disproportionately high compared to other areas of need. This creates a competitive disadvantage for the private sector, making it difficult to recruit and retain workers due to the higher compensation offered by the public service. NGOs echoed concerns about potential reductions to the public service. They also pointed out the significant wage gap between the GNWT and the NGO sector, which affects their ability to recruit and retain staff, thereby impacting their capacity to provide essential programs and services.

Economic Development and Infrastructure

Economic development and infrastructure were key themes, particularly for business and industry, and community governments. Business and industry stakeholders emphasized the need to encourage more private investment in infrastructure and suggested focusing on projects that could generate revenue for the GNWT, such as building highways and charging tolls to industries that use these roads for resource development projects. One respondent recommended privatizing Crown Corporations to stimulate economic growth. Community governments supported the idea of seizing low-hanging economic

development opportunities and stressed the need for more support in developing alternative energy resources, which they find cost-prohibitive.

Regulatory and Spending Efficiency

Streamlining regulatory functions and improving spending efficiency were important themes for business and industry, as well as community governments. Business and industry representatives called for a more streamlined regulatory process to allow resource development projects to advance from exploration to development more quickly. They also expressed a keen interest in understanding where the GNWT intends to reduce spending and duplication, emphasizing the importance of ensuring that job losses do not result from government reductions. Community governments were curious about whether the GNWT plans to divest any assets to achieve its fiscal sustainability objectives.

Social and Community Support

Social and community support emerged as a significant theme, particularly for Indigenous and community governments, as well as NGOs. Indigenous governments prioritized health, cost of living, and education, and sought clarity on what the GNWT is doing to facilitate the flow of federal funding to Indigenous communities. Community governments underscored the importance of addressing social issues to create economic development opportunities and prevent people from leaving the territory. NGOs raised concerns about the GNWT's funding formulas, noting that they do not account for forced growth, with funding amounts remaining flat despite rising costs, which hampers their ability to provide necessary services.

B. Online survey

112 respondents completed the online survey between August 13 and September 20, 2023. The Department of Finance analyzed the responses to each question provided by respondents and sorted them into categories.

For each survey question, responses were divided into categories (the total number of responses for each category is included in parentheses following the category name).

A rating system was used to show the level of support for different approaches recommended within each category:

★★★★★	Very high support for this approach
★★★★	High support for this approach
★★★	Moderate support for this approach
★★	Some support for this approach
★	Limited support for this approach

The rating system is intended to show the level of support recommendations related to other approaches listed in the same category.

For example, a five star rating for “Improve access to primary care and reduce wait times” under Healthcare and Mental Health shows that the 79 responses showed very high support for the approach. “Develop strategies to attract and retain residents” was given a five star rating for the 30 responses received under Population Growth and Retention.

In each case, the rating provides the reader with context on how much support an approach received *within* a certain category. By considering the rating and number of responses together, the reader can gain an understanding of the overall level of support for a given approach. While “improving access to primary care and reducing wait times” and “develop strategies to attract and retain residents both received five star ratings, the number of responses received for each shows that “improving access” received more support overall.

Question 1: Spending priorities

Survey respondents identified healthcare, education, and infrastructure emerge as top priorities across many responses. There's also a strong emphasis on addressing social issues like addiction, mental health, and housing. Many respondents called for more efficient government operations and strategic allocation of resources.

Healthcare and Mental Health (79 responses)

Improving healthcare services and access is a top priority across the NWT.

★★★★★	Improve access to primary care and reduce wait times
★★★★	Increase mental health and addictions support services
★★★★	Focus on retaining and recruiting healthcare workers, especially nurses and doctors
★★★	Invest in medical equipment and facilities to reduce need for medical travel

Economic Development and Employment (44 responses)

Respondents emphasized the need to stimulate economic growth and create employment opportunities.

★★★★★	Support small businesses and local economic growth
★★★	Invest in resource development and mining projects
★★★	Improve job training and skills development programs
★★	Attract investment and businesses to the NWT

Infrastructure and Housing (60 responses)

Addressing housing shortages and homelessness is a critical issue

★★★★★	Invest in affordable housing and address homelessness
★★★★	Improve transportation infrastructure like roads and airports
★★★	Invest in renewable energy and power infrastructure
★★★	Upgrade community infrastructure in smaller/remote communities

Education (26 responses)

Investing in education and workforce development was seen as crucial for the territory's future.

★★★★	Improve K-12 education system and outcomes
★★★	Increase funding and support for post-secondary education
★★★	Enhance early childhood education and daycare support

★★	Provide more adult education and upgrading opportunities
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Government Operations and Spending (40 responses)

Respondents called for more efficient government spending and operations.

★★★★★	Reduce government workforce and management positions
★★★★★	Focus spending on core/essential services
★★★	Improve efficiency and reduce wasteful spending
★★	Increase transparency and accountability in budgeting

Social Services and Community Support (54 responses)

Supporting smaller communities and improving infrastructure was seen as important.

★★★★★	Increase funding for addictions and mental health programs
★★★★★	Improve support for homeless and low-income individuals
★★★	Enhance community safety and policing
★★★	Provide more support for Indigenous communities and programs

Question 2: Finding efficiencies and savings

The feedback provided by respondents largely aligns with the objectives outlined in the Fiscal Sustainability Strategy. The most popular recommendations focus on streamlining government operations, optimizing healthcare delivery, and leveraging technology for improved efficiency. Implementing these changes could contribute significantly to the goal of increasing revenues or reducing expenditures by \$150 million in future budgets. However, careful consideration should be given to the potential impacts on service delivery and employment, especially in smaller communities.

Streamlining Government Structure and Operations (35 responses)

Many respondents emphasized the need to reduce top-heavy management and streamline government operations. This aligns with the Fiscal Strategy's goal of increasing operating efficiencies. Centralizing shared services and adopting a whole-of-government approach could lead to significant cost savings and improved service delivery.

★★★★★	Reduce management positions, especially at higher levels (ADMs, Directors)
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★★★★	Amalgamate departments to reduce duplication
★★★	Centralize shared services
★★★	Implement a whole-of-government approach to program and service delivery
★★	Review and optimize internal processes (finance, reporting, procurement)

Healthcare System Optimization (20 responses)

This key concern reflects the Fiscal Strategy's focus on realigning health program spending. Respondents suggested various ways to reduce costs while maintaining or improving service quality, particularly in remote areas.

★★★★	Improve coordination of medical travel and appointments
★★★	Incentivize long-term healthcare staff retention over locum positions
★★★	Expand telehealth services
★★	Implement user fees for some health services

Technology and Digital Services (16 responses)

Many respondents see technology to improve efficiency and reduce costs, aligning with the strategy's goal of leveraging operating efficiencies.

★★★★	Invest in online services and self-service options
★★★	Transition to digital records and reduce paper-based processes
★★	Utilize satellite internet instead of fiber optic infrastructure

Community Development and Services (11 responses)

These recommendations aim to address inefficiencies in regional funding and governance structures, which could contribute to the strategy's goal of allocating spending appropriately to residents' priorities.

★★★	Reevaluate community funding
★★	Improve coordination with Indigenous and community governments and NGOs
★★	Focus resources on larger centers and reduce services in smaller communities

Education and Training (7 responses)

While education is not explicitly mentioned in the Fiscal Strategy, these recommendations aim to allocate resources more efficiently.

★★★	Reevaluate the polytechnic university project
★★	Focus on essential education services and reduce administrative positions
★★	Reform Student Financial Assistance program

Resource Management and Economic Development (6 responses)

While the focus of most responses was on reducing expenditures, some suggestions for revenue generation were made.

★★★	Streamline processes for resource exploration and development
★	Improve geological survey services and data management
★	Invest in sustainable industries (e.g., fisheries)

Question 3: Revenues

Recommendations on revenues reflect a diverse range of approaches to increasing GNWT revenues, from traditional resource development to innovative economic diversification strategies. The responses emphasize the need for both short-term revenue generation and long-term economic planning to ensure sustainable growth for the territory.

Resource Development and Mining (30 responses)

★★★★★	Encourage and support mining and exploration projects
★★★	Streamline regulation and reduce barriers for resource industries
★★	Increase royalties and fees for mineral extraction
★	Invest in geoscience information to attract mineral exploration

Taxation and Fees (31 responses)

★★★★★	Implement a territorial sales tax or value-added tax
★★★	Increase taxes on high-income earners

★★★	Increase fees for government services and licenses
★★	Raise taxes on "vices" like alcohol, tobacco, and cannabis
★★	Implement luxury taxes on high-end goods

Population Growth and Retention (30 responses)

★★★★★	Develop strategies to attract and retain residents
★★★★	Improve quality of life and services to make NWT more appealing
★★★	Create more housing opportunities
★	Conduct exit interviews to understand why people leave

Economic Diversification (28 responses)

★★★★	Invest in tourism infrastructure and marketing
★★★	Develop new industries (e.g., technology, data centers)
★★★	Support small businesses and entrepreneurship
★★	Explore opportunities in agriculture and aquaculture

Federal Funding and Relationships (23 responses)

★★★★	Lobby for increased federal funding based on unique northern challenges
★★★	Renegotiate funding formulas and agreements
★★	Collaborate with other territories for a unified northern voice
★	Seek funding for specific projects (e.g., climate change research)

Government Efficiency and Efficiency (26 responses)

★★★★	Streamline government operations and reduce unnecessary spending
★★★	Consolidate physical office space and reduce leasing costs
★★★	Implement more efficient service delivery methods
★★	Review and optimize staffing levels in government departments

Infrastructure Development (16 responses)

★★★	Build the Mackenzie Valley Highway
★★	Invest in renewable energy infrastructure
★	Develop port facilities for Northern Passage trade
★	Improve telecommunications infrastructure

Indigenous Partnerships and Land Claims (15 responses)

★★★	Settle land claims to enable economic development
★★	Develop partnerships with Indigenous organizations for resource projects
★★	Support Indigenous-led economic initiatives
★	Collaborate on funding applications with Indigenous governments

Next Steps

Budget Dialogues 2024 is part of an ongoing discussion with Northwest Territories residents about the fiscal constraints facing the GNWT and the priorities of the Legislative Assembly for the upcoming budget. This report summarizes the results of the dialogue and will be used in the upcoming budget planning cycle to shape Budget 2025-26.

The information received will be used in drafting the second budget of the 20th Legislative Assembly.