



2018-19 Business Plans

Overview of Budget Planning

Presentation to the Standing Committee on Priorities and Planning
November 16, 2017

Overview

- The purpose of the presentation is to provide some context as consideration of the 2018-19 Business Plans begin.
- This will include:
 - an overview of the components of the GNWT budget
 - historical patterns of revenue and operation expenditure growth
 - an overview of the budgeting process
 - key financial changes since the 2017-18 Main Estimates
 - key considerations for the 2018-19 planning process.

Components of the GNWT Budget

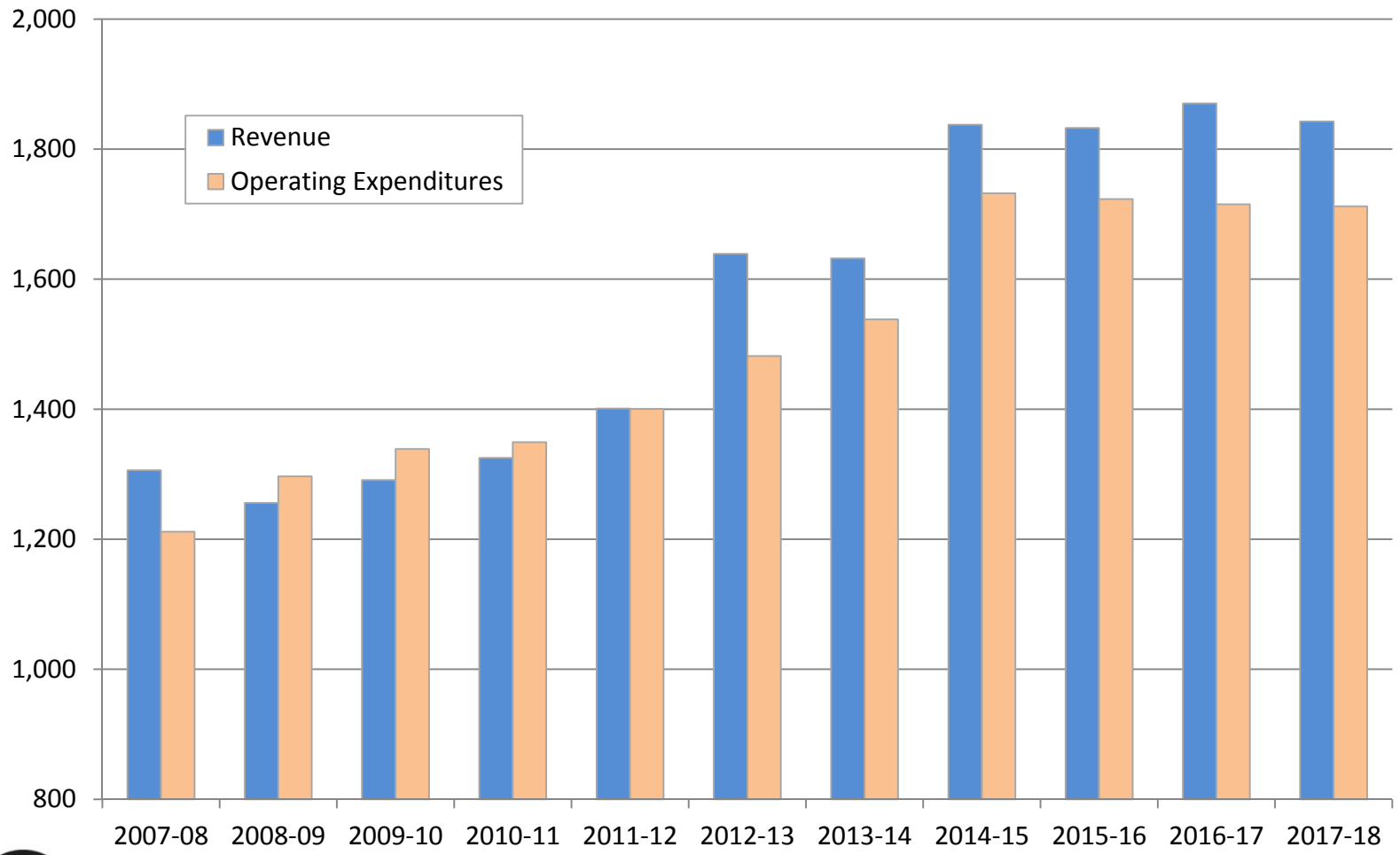
Revenues	<ul style="list-style-type: none"> Grant from Canada 67% Other Transfers from Federal Gov't 9% Taxation and General Revenue 23% 	} \$1,859 million in 2017-18
- Operations Expense	<ul style="list-style-type: none"> Departmental operating budgets adjusted for infrastructure contributions and other adjustments \$1,692 million in 2017-18 	
= Operating Surplus/Deficit	<ul style="list-style-type: none"> Difference between revenue and operations expense (\$167 million operating surplus for 2017-18) 	



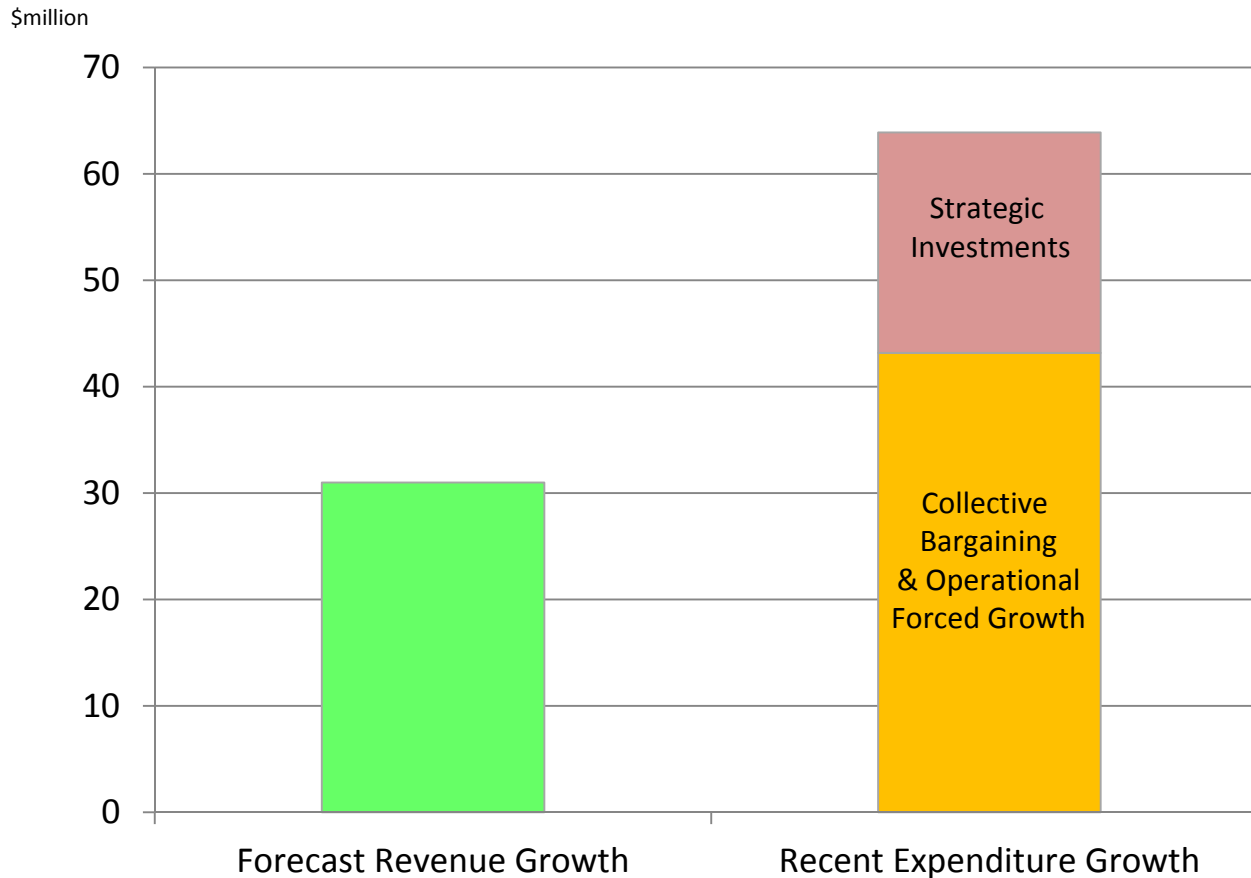
Cash Provided by Operations	<ul style="list-style-type: none"> Generally is the operating surplus and non-cash items (amortization) included in operations expenses (\$278 million in 2017-18)
- Capital/Investment/ Financing Transactions	<ul style="list-style-type: none"> Primarily comprised of the planned capital spending (\$263 million in 2017-18)
= Change in Cash Position at End of Year	<ul style="list-style-type: none"> Difference is change in the short term debt (\$15 million reduction in short term debt in 2017-18)



Historical Pattern of Revenue and Operating Expenditures

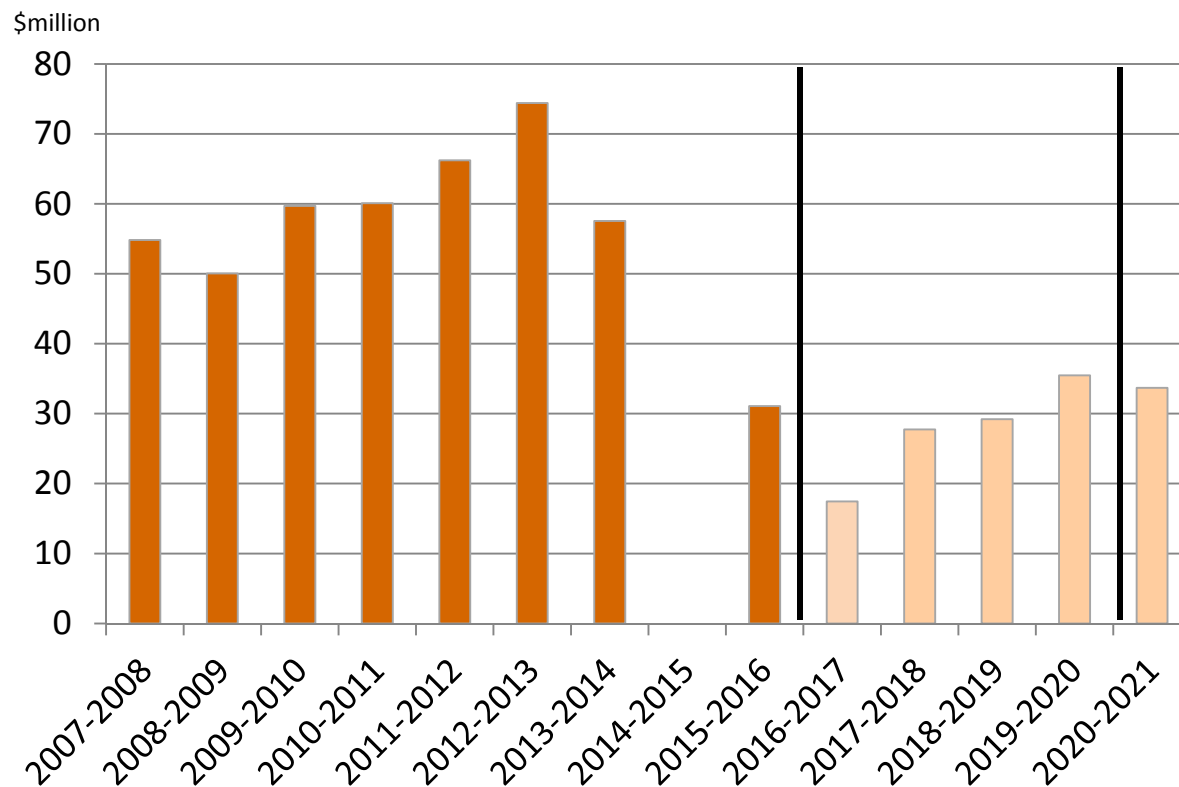


Fiscal Challenge for the GNWT – Annual Components of Change



- Revenues are growing at a very modest rate.
- Historical expenditure growth is in excess of current revenue growth.
- This pattern lowers the operating surplus over time.
- Lower operating surplus means either significant reductions in capital spending or significantly increased debt.

Modest Revenue Growth – Change in Gross Expenditure Base



* 2014-15 excluded as there were large impacts related to devolution.

- Growth in the GEB, the main driver of core transfers from Canada, has dropped significantly.
- Largely driven by lower increases in spending by governments across Canada and limited population growth in the NWT.
- Own source revenues are relatively stable.
- Specific purpose transfers vary by year.

Planning for the 2018-19 Main Estimates

Change in Revenue	<ul style="list-style-type: none"> • Because of the way the Formula works, we know the Grant for Canada and CHT/CST will increase by about \$18 million in 2018-19 (about 72% of total). • Other revenues include one time federal transfers, GNWT taxes and other own-source revenue, and resource revenue.
Change in Operating Expenditures	<ul style="list-style-type: none"> • Key components of change include: <ul style="list-style-type: none"> ○ Initiatives ○ Forced Growth and Collective Bargaining Increases ○ Other Adjustments ○ Sunsets and Reductions
Capital Spending	<ul style="list-style-type: none"> • The 2018-19 Capital Estimates were approved by the Legislative Assembly in October and totaled \$210 million
Change in Debt	<ul style="list-style-type: none"> • Total debt is limited by the Borrowing Limit of \$1.3 billion. At the time of the 2017-18 Main Estimates, total debt was estimated to be \$990 million, including \$336 million in short-term debt.



Typical Operations Budget Planning Process

APPROX. TIMEFRAME	DESCRIPTION
Mid-April:	FMB approval of business planning process guidelines, assumptions and timelines; call letter for business plans sent to departments
Mid-May:	Departmental submissions for forced growth and initiatives due to Finance for analysis
End of June:	Review and approval of forced growth and initiatives submissions by FMB; finalization of departmental targets based on FMB approval
Early August:	Business plans due to Finance
Late August:	FMB review of business plans and approves for circulation to Standing Committees
September:	Standing Committee review of business plans
Early to mid-October:	Standing Committee recommendations on business plans; adjustments reviewed / approved by FMB; Call letter for departments to develop Main Estimates
Late November:	Draft Main Estimates due to Finance
Early to mid-December:	FMB review and approval of draft Main Estimates; approval for circulation to Standing Committee
Mid-February to mid-March:	Budget Session (Committee of the Whole review of Main Estimates and vote to approve appropriations)



Planning for 2018-19 Budget - Changes Since the 2017-18 Main Estimates

2016-17 Public Accounts

- Revenues ended up about \$24 million (1.3%) higher than forecast
- Expenditures were in line with what was presented in the Main Estimates
- There were higher than expected carry-overs for capital projects in 2016-17
- The result was a slight decrease in short-term debt rather than an increase

2017-18 Year to Date

- Revenues appear to be lower slightly due to corporate tax
- Expenditures appear that they may be higher than forecast as variance reports show there may be less lapsed funding
- With the 2016-17 capital carryovers there should be higher capital spending in 2017-18
- The result could be an increase in short-term debt in 2017-18 rather than a reduction

Planning for 2018-19 Budget – Key Considerations

- It is expected that there will be limited revenue growth in 2018-19.
- The 18th Assembly developed a mandate with more than 200 actions. Some of these items will require incremental investment.
- Beyond the mandate there are additional social and economic challenges.
- In the last 10 years the NWT population has grown by less than 3% in total. The seniors population in the NWT has grown by 59% over the same period.
- While there are some positive signs for the economy - extension of diamond mine life and increased tourism, there are also negative indicators including declines in overall labour income and continued low exploration spending.
- The GNWT continues to be engaged in collective bargaining.
- The federal government has announced significant cost-sharing infrastructure investments.
- While the net fiscal impact may not be large, implementation of carbon pricing and cannabis legalization need to be considered.
- Budget planning must always keep in mind unexpected events like forest fires or low water (power generation).