

**Budget 2019**

**Budget Address**

**To be delivered in the Legislative Assembly**

**By the Honourable George Hickes, MLA**

**Minister of Finance**

**February 20, 2019**

I rise to present the government's budget for the coming year, fiscal 2019 through 2020. I look forward to sharing the details with the house. But first let me say thank you to all of you for your support in helping to put this together.

## **Strategic context**

This budget enables us to work for *Turaaqtavut*, the priorities we have chosen for our work in this assembly. Together, we said we will work for individual and community self-reliance and well-being. We will grow the economy, and help prepare people for good jobs, and good pay cheques. We will strengthen Nunavut, and celebrate all that makes us unique. And we will work with our partners to reach these goals.

*Turaaqtavut* is more than words. It captures the dreams that inspired our Elders to create Nunavut. It speaks to the hopes that guided the four previous legislative assemblies. It sets out the ideas that will take us forward into our 20<sup>th</sup> year of self-government, and well beyond.

Mr. Speaker, let's take a moment to look back at what we've accomplished since we created our territory. Twenty years ago, we were nearly 27,000 people. Today, there are 38,000 Nunavummiut. We've grown our population more than 40 per cent. The size of our economy has more than doubled. Nunavut's GDP has grown an average of 5 per cent every year since 1999.

The number of Inuit GN employees has almost doubled, going from 943 in 2001 to 1770 in 2018.

The number of students graduating from high school has increased from 98 in 1999 to 292 in 2017. The graduation rate was 21.1 per cent in 1999. In 2017, it was 48 per cent.

We have built 1,980 public housing units since 2001.

The GN has spent approximately \$2.4 billion on capital projects, including: 12 schools in our communities; 6 community learning centres; 10 health centres, and the Qikiqtani General Hospital.

We have provided more than \$100 million to students in post-secondary studies and skills training and skills development programs.

We've opened health facilities, and established community justice committees in all communities.

The story of Nunavut is a story of growth. Everywhere you look, we're doing more. At the same time, our challenges remain. Nunavummiut must deal with a housing shortage, high living costs, and a wage economy that increasingly demands new skills and technical knowledge. At the same time, we want to remain true to the guidance and the values we receive from our Elders.

The role of our government is to help Nunavummiut meet these challenges. We want to help parents who are working hard to get ahead. We want to help kids who are studying hard and preparing for the future. We want to help people to free themselves from the grip of addictions and substance abuse.

Nunavummiut believe in a better future for themselves, and their children, and they expect their government to help. And we can. Our 2019-2020 Budget outlines the measures we're taking as a government to move our territory closer to the goals and vision we have for Nunavut, and into the next twenty years.

## **Economic situation**

Let us take stock of our current economic situation.

According to the respected Conference Board of Canada, we can expect strong economic growth for several years. Their researchers suggest our economy will grow annually by an average 4.6 per cent. By 2025, just six years down the road, the number of people with jobs in Nunavut could rise more than 25 per cent.

Our strong growth forecast results from three things. First, our population is growing. More working Nunavummiut means more economic activity, contributing to our shared success. Second, more public infrastructure, like ports and airports, puts our people and our resources to work. The third reason is investment in the resource sector, like the mines that produce iron and gold. All of these combine to move us forward.

In particular, the mining sector is performing very strongly. Mining activity last year grew 20 per cent

from the year before. The Conference Board predicts another 20 per cent growth this year, followed by annual growth approaching eight per cent through the forecast period.

This is good news. The economy has begun to diversify, which is something that we really need.

For much of the past 20 years, the main strength of our economy has been the public sector. Our government, our schools, our hospitals — that's where Nunavummiut found over half of our jobs. But we cannot rely solely on the public sector to create jobs and grow our economy. The best growth opportunities are found in the private sector, like mining. As more mines export gold, iron and other commodities, more jobs open up.

Today, mines power one fifth of our economy. That's good, and we welcome further growth. But we need to find a way to connect that growth, and related decision-making, to Nunavummiut. The wealth from resources on Inuit-owned land flow rightly to Nunavut Inuit. As Crown lands are developed, we will ensure that the resulting wealth will benefit our people.

We also need to diversify our economy further, to branch out into sectors that today are small but promising, such as fisheries, arts, and tourism. Nunavummiut work in these areas now, but many more could work here if these sectors were larger. There is a tremendous amount of potential in these sectors to create economic opportunities and jobs in communities across the territory. Our government stands ready to help with training and development, and support for small businesses and emerging industries.

For the time being, Nunavut will continue to depend on a strong public sector, and the demand for public services will continue to rise. But through investments in education and training, creating more economic opportunities, and diversifying our economy, we can achieve the goals and vision set out in *Turaaqtavut*.

## **Budget balance**

With this economic outlook, what can we do in the coming year to realize our goals? Let us look first at the overall budget balance, and then we'll take a detailed look at our financial plan.

For the current year ending March 31<sup>st</sup>, we now project a deficit of \$35 million. That's almost exactly

on the target we set in our original estimates. Every year we reserve \$30 million in contingency funding, just so we can handle any circumstances we did not expect when we made the budget this time last year. We'll use that reserve money for rising costs in the departments of Health, Family Services and Justice.

Looking ahead to the next fiscal year, the government projects revenues of \$2.21 billion, down about 1.7 per cent from the current year. About \$194 million will come from tax-paying Nunavummiut, a number that is stable year-over-year. The remainder comes from the federal government and third-parties.

On the other side of the ledger, we expect to spend \$2.22 billion. That's about four per cent less than our spending this year.

The net result is that we expect to run a deficit next year of \$12 million. That amount includes our usual \$30 million in contingencies. If we do not spend that \$30 million reserve, we will run a very small surplus.

Let me take a moment to put that \$12 million deficit in perspective. I would make two points.

First, the deficit for next year would represent just one-half of a per cent of our total spending. Looking at it another way, for every \$100 we spend, we're short about fifty cents. That's not big, but it does add up.

Second, these deficits are certainly important for what they say about our government's ability to meet the needs of Nunavummiut. As I mentioned earlier, the demand for public services continue to rise each year. That growth in demand, coupled with less revenue, means our needs are outpacing our ability to pay for those services. Each year, we are doing more with less.

We receive about \$1.9 billion a year from the federal government. We raise about \$194 million from our own population. And we don't receive resource royalties from the land.

Some people might say that we should haul out the credit card, and live a better life today. But that's not wise. The government's approach has always been to use debt for long-term projects, like

airports, harbours and our electrical system. We don't use debt to pay for operations and maintenance.

Because of that sensible approach, we are well within our debt ceiling of \$650 million. The government's debt peaked this year at \$435 million, with the last of our investment in the Iqaluit airport project. We expect the debt to begin a steady decline starting in the year ahead.

By not using credit to pay for our daily needs, and by managing our debt carefully, the government earned a good credit rating. In fact, only three provinces enjoy a rating better than ours.

With our debt firmly under control, and our spending closely aligned to our revenue, the overall situation is stable. We can approach Nunavut's 20<sup>th</sup> anniversary, and our strategic priorities, with confidence. But, as you've heard me say, we'll need to manage carefully. As we do so, there is this fundamental fact to keep in mind: Our revenues are set to rise more slowly than the cost of providing public services. This compels us to take very firm action on cost control while, at the same time, raising new revenue through economic growth.

Let's look now at those priorities and how we can invest in their achievement.

## **Inuusivut**

I'll begin with *Inuusivut*, our way of life, and how the government will help advance Nunavummiut well-being and self-reliance. The government will invest in better healthcare, more student success, measures to reduce addictions, and steps to end family violence.

Healthcare is our single greatest investment. This budget provides the healthcare system with \$431 million — more money than any other department.

Our challenge is to provide Nunavummiut with high-quality care, and to do that here at home. I say "challenge" because of the rate at which our costs are rising. As both minister of finance and health, I must balance our fiscal constraints with the provision of quality healthcare services to Nunavummiut.

One of the most concerning issues in healthcare is the cost of flying patients out of the territory for medical treatment. Medical travel will cost more than \$90 million next year, more than one-fifth of all

healthcare spending. Many Nunavummiut would rather receive health services here at home, and the government agrees. That's why we're working on two service improvements.

The first — we will invest a further \$14 million in the Medical Travel program, including \$2.7 million to expand the program to allow more mothers and guardians to bring infants on medical travel, and provide escorts to accompany pregnant woman during childbirth.

The second service improvement will see more Nunavummiut treated here in Nunavut. The government will provide the Qikiqtani General Hospital with a further \$600,000 this year. This additional support will improve service to Nunavummiut here at home, and allow the hospital to plan for a full-scale pediatric unit.

Nunavut continues to struggle with the highest incidence of tuberculosis in the country. We are making strides in testing and screening TB in the territory. And we will invest \$683-thousand next fiscal year to create more clinical positions in communities. We will also continue to work with the federal government and Inuit Tapiriit Kanatami (ITK) to accelerate our plans using federal resources. The elimination of TB will require long-term investments from all levels of government.

We know that as elders age, they want to be close to their families and communities. That's why our government is developing options for in-territory elder care, so that more elders with long-term care needs can stay closer to home. We are currently in the process of completing a comprehensive long-term care plan, and will be exploring partnerships to develop more elder care facilities in communities. This planning work requires additional funds to complete, which will be requested during this sitting.

Many communities, families and individuals in Nunavut struggle with the adverse impacts of substance use and related personal trauma. Our priority is to help Nunavummiut access support to heal. We will invest a further \$4.6million next year in treating addictions and related trauma. That includes our effort to develop a recovery centre. The government is working closely with the federal government and Nunavut Tunngavik Incorporated (NTI) to develop addictions and trauma treatment in the territory.

As well, we will move forward with on-the-land camps in each region. As we saw with the pilot program in Cambridge Bay, these camps help participants to replace alcohol and drugs with Inuit societal values. Hunting and fishing, building *qamutiik*, learning our culture and games — these help

participants find their way back to family and community.

As we address addictions and trauma, we must also consider the victims of family violence. The reality is that these victims need more shelters. The ones we have now are meant for emergencies and other short-term stays, but they are filling up with people who stay for a long time. Women, in particular, need transitional housing, like an apartment with support services, so they can heal from their trauma and find permanent homes. But we don't have any transitional housing at all.

Next year, the government will invest nearly \$2 million to strengthen our emergency shelters, set up transitional housing for women, and improve emergency services for women and children.

In our work to improve the wellbeing of Nunavummiut, reduce harm, and make our communities safer, we will also increase law enforcement funding by about \$2.8 million. This funding, combined with trauma and addictions treatment, will help reduce our crime rates, which are higher than the national average.

Mr. Speaker, the steps that I've just described will help us to meet our goal of helping more people to build better lives. As I said earlier, the demand for these services will only rise. To meet this rising demand, we will need new sources of revenue, and to balance our support for healthcare with our other priorities.

## **Pivaallirutivut**

Many of our social challenges find their roots in poverty. It should concern us all that 40 per cent of Nunavummiut turn to the government's Income Assistance program at least once a year. In the coming year, income assistance will rise to \$52 million dollars, up from \$50 million today. And the Nunavut Housing Corporation (NHC) will receive an additional \$9.0 million to offset the cost of maintaining our growing supply of public and staff housing.

The solution to poverty is to grow our economy, and to do that in ways that respect our societal values. We need growth that benefits Nunavummiut today and well into the future. *Pivaallirutiout*, Mr. Speaker. When it comes to opportunity, Nunavut has no shortage. We need to seize the opportunities.

For the coming year, the government will invest \$87 million in the Department of Economic Development and Transportation (EDT). Our goal is to create more jobs. As young Nunavummiut grow up, they'll need meaningful employment. Employment is at the heart of the Government of Nunavut Economic Development Strategy, being developed by the Department of Economic Development and Transportation.

The strategy updates our long-term approach and aligns it with *Turaaqtavut*. It draws on our discussions with business leaders and most importantly communities, about creating more opportunities in mining and construction. As this house knows, we reached a Memorandum of Understanding with Agnico-Eagle Mines. Together, the company and the government developed a detailed plan to improve Inuit employment, infrastructure, public safety and environmental protection. We are pursuing similar agreements with other mining companies. I look forward to our continued progress.

I am also looking forward to our work to adapt our territory to our changing climate. As we burn carbon-based fuels, like gas and diesel, sea ice shrinks, air warms up, and permafrost melts. We know burning carbon impacts our planet. But it will be a while before we have alternatives to fossil fuels. This is especially true for Nunavut, where we rely uniquely on fossil fuels for heat, electricity and transportation – far more than elsewhere in Canada.

The price of energy will rise when the federal government's new carbon-pricing rules take effect this year. With hard work, we have persuaded the federal government to leave our diesel electric generators and aviation fuel out of their plans. But all other fuels will cost more. That includes the fuel bought by Nunavummiut, and the fuel our government buys to provide heat and power to our buildings and to public housing. According to Environment Canada, the new federal carbon-pricing rules should collect about \$15 million in our territory. Our government will recover all of that revenue, and is developing options on how best to return that revenue to Nunavummiut. We aim to minimize the effect of federal carbon pricing on the cost of living and doing business in Nunavut. I look forward to sharing the details of this revenue return before the federal carbon-pricing program takes effect in July.

We are also moving ahead with other climate initiatives. In the coming year, Qulliq Energy Corporation will expand its energy reduction programs, including building retrofits and diesel generator

improvements. These projects are possible in part, thanks to the federal government's Low Carbon Economy Fund, and the Investing in Canada's Infrastructure Program Arctic Energy Fund. As well, the Department of Environment is working with key stakeholders in Nunavut to develop energy plans for all communities.

In addition to our clean-energy initiatives, we are pursuing opportunities to create jobs through construction, particularly in housing. In the coming year, NHC will begin to build approximately 100 new homes. Funding comes from our government and the federal government through its National Housing Strategy. The national strategy will provide federal funding for housing over the next nine years. This long-term federal commitment, combined with a steady investment from our government, will reduce our housing needs and create economic growth.

Better housing for Nunavummiut can make a real difference in our way of life. Improved housing provides the foundation for better lives. As research has consistently shown, better housing reduces the cost of living, reduces substance abuse, improves health outcomes, and improves student success. For this reason, we will continue to press the federal government for increased, predictable funding for housing.

Residential construction, together with infrastructure growth, mining and government make up almost all of our economy. As we've seen, two of these sectors, mining and its related construction needs, rise and fall in step with the global economy. To balance these variations, the government will achieve greater economic stability through investments in diverse sectors, such as tourism.

EDT has been reviewing tourist information, including hotel occupancy rates, and spending by cruise ship operators and passengers. The review includes our tourism products and services. The department is aiming to issue a report and to host a tourism summit in April to build toward a new tourism strategy. In preparation, EDT has developed a mentorship program to help tourism operators set service standards and prepare them for the increasing interest and demand in Nunavut. Moving into next year, the department will develop training services to help local businesses to market their goods and services.

## **Sivummuaqpalliajjutivut**

Our third *Turaaqtavut* priority is *Sivummuaqpalliajjutivut*. We will help Nunavummiut to build better, and happier, families and communities. This means quality education for our children and more advanced skills and training for adults who need it to move ahead.

We continue to improve our school system to provide education that aligns with Nunavut's specific needs. Our greatest challenge is to inspire young Nunavummiut to attend school full time, and to succeed all the way to graduation. Our government will invest \$171 million next year in schools from kindergarten to grade 12. We will promote better literacy, and more consistency in quality education.

As well, we need to help adults get into college and university, and to advance in their careers. In the coming year, we will invest an additional \$561-thousand to promote the Nunavut Arctic College, connect prospective learners with courses, and smooth the path for high-school graduates entering the college.

Nunavut Arctic College will also improve distance learning and increase educational opportunities throughout Nunavut. And it will finalize a partnership with Memorial University of Newfoundland. This important partnership will enable the college to expand its learning programs and build its capacity over the next decade.

Continued investments in the programs offered by the college are critical, including investments in trades and technology education. By fostering, developing, and supporting the skills and abilities of Nunavummiut, the college plays an important role in our territory's economic development, and in reducing our dependence on imported labour.

We want to support Nunavummiut to succeed in their education. That's why we are also focusing on the need to provide affordable childcare that enables parents to pursue training and develop their careers. In the coming year, the government will survey the childcare situation across the territory, so that we can set priorities for further childcare improvements.

## **Inuunivut**

This brings me to the fourth *Turaaqtavut* priority, to strengthen our sense of who we are, to take

our place in Canada and the world, and to protect our Inuit heritage, language and culture. This is *Inuuniġut*, our identity.

The heart of our identity resides in our unique governance, our perspective on Arctic issues and opportunities and, of course, our Inuit language and culture.

Our government remains dedicated to strengthening the use of Inuktut among our employees. Guided by the recently updated plan, *Uqausiġut 2.0*, we are taking action to strengthen the use of Inuktut in our territory, particularly in areas of language learning, language of work, language of services and language revitalization. In the coming year, we will provide an additional \$1 million to the government's translation bureau. We will update our translation policy, so we can improve our government's use of the official languages. We will also set clear standards for all departments and public agencies to communicate internally and with the public in the official languages.

As well, the government will begin work next year to showcase our collection of museum pieces and artifacts in the territory. There are some 175-thousand items in safe storage in the Ottawa region. The Department of Culture and Heritage plans to inventory them next year and work with partners in the territory to showcase the collection. This collection spans more than four-thousand years of our history. It will provide all Nunavummiut with an excellent opportunity to learn from our ancestors.

Our culture includes excellence in sports. Team Nunavut will compete in the Arctic Winter Games next year. We will send some 300 athletes and team members to the games in Whitehorse. The Department of Community and Government Services will provide the team with \$1.6 million in support.

## **Katujjiqatigiinnivut**

Finally, let me speak to *Katujjiqatigiinnivut*, and our plans to strengthen our human resource capacity, and increase Inuit employment.

No government can meet its goals without a public service that is skilled, committed and motivated. Our employees meet that standard, but we are still a long way from finding all the people we need.

The numbers by now are familiar to all members of this assembly. In broad terms, for every three

jobs in our government, one job is held by an Inuk, the second job is not, and the third job is vacant. As we fill vacancies, we take seriously our obligation to provide a government that represents the people it serves. However, most government jobs require our employees to have graduated from high school. A degree from a college or university would be even better. Education and skills development are the answer and, as I have said, we're improving those services both in our schools and in our workforce training.

On April 1<sup>st</sup>, our government will launch the new Department of Human Resources. Its primary challenge will be to finalize a long-term Master Inuit Employment Plan and to renew the government's Human Resources Strategy, both of which aim to increase Inuit employment, build capacity and strengthen our people management across the entire government.

The government has drafted a master Inuit employment plan to guide us through to 2023. Each department and public agency will have drafted specific targets and a detailed action plan in the short, medium and long term. Data provided by the 2018 Nunavut Inuit Labour Force Analysis is helping us understand the historical trends and current Inuit labor force availability in our territory and at the community level. This data will assist us in finalizing our Inuit employment goals and action plans to 2023. Meeting our goals is a priority.

The actual number of Inuit working for the government and our corporations reached 1,770 last December. That is a number worth celebrating, because our Inuit employment since 1999 has doubled. It's worth repeating. Twice as many Inuit work for the Government of Nunavut today compared to 20 years ago.

Of course, we all know that this progress takes us only partway to our goal. For seven years now, even as the number of Inuit employees has risen, Inuit representation in the public service has remained at approximately 50 per cent. That share in public-service employment needs to rise substantially so that we can represent the people we serve.

As well, the Human Resources department will focus on promoting wellness and alternative dispute-resolution methods to improve the government workplace. The department commits to designing a respectful workplace program rooted in Inuit societal values. We will develop the program in the coming year and put it into place as soon as possible.

## Conclusion

Mr. Speaker, there you have it. You have seen how the government is taking practical, responsible, prudent steps toward our *Turaaqtavut* goals. As we said in *Turaaqtavut*, we will invest in the self-reliance and well-being of Nunavummiut. We will grow the economy, strengthen Nunavut, and celebrate all that makes us unique. And we will work with our partners to reach these goals.

These commitments require us to overcome many challenges, and many of those challenges will not be easy to resolve. But we Nunavummiut have shown that we can thrive by coming together as partners and as a people. In this house, we have a great team, elected by Nunavummiut to move us all forward, together.

And now, as we prepare to celebrate 20 years of Nunavut, we look ahead to the next 20 years and beyond with anticipation, hope, motivation and great respect to the people, traditions and innovation that brought us to this point.

When I was first elected to this assembly, a reporter had asked my father, George Hickes Sr. – a former speaker of the Manitoba Legislature – whether he was proud of me for following in his footsteps. He replied that he would rather I leave my own footprints, and that they had better be in work boots.

I'm proud to say that I've got my work boots on today, Mr. Speaker.

We are ready to get to work. We are committed. And we are taking the steps forward on our path to success.

Thank you for the opportunity to present our government's 2019-2020 budget today.