

GOVERNMENT OF THE NORTHWEST TERRITORIES RESPONSE TO MOTION 20-17(4) PROPOSAL FOR USE OF NEW RESOURCE REVENUES

Motion

NOW THEREFORE I MOVE, seconded by the honourable Member for Deh Cho, that this Legislative Assembly proposes on an annual basis the GNWT's share of the new Devolution Agreement resource revenues be expended according to the following formula:

- one-quarter to infrastructure investment;
- one-quarter to one-time Assembly priorities;
- one-quarter to the Heritage Fund; and
- one-quarter to debt repayment.

AND FURTHER, that the Government of the Northwest Territories seek public input on the above proposal for the use of new resource revenue and report back to the Assembly on the results of those consultations;

AND FURTHERMORE, that the Government of the Northwest Territories provides a comprehensive response to this motion within 120 days.

GNWT Response

The GNWT's approach to managing resource revenues from the Devolution Agreement is built on the principle of intergenerational equity, and centres on investments and savings that convert non-renewable resource wealth into other assets to benefit both present and future generations. As committed to in the 2013-14 Budget, the GNWT will not use these resource revenues for government operations, but instead to fund infrastructure, to pay down debt and when appropriate, to save in the NWT Heritage Fund. This approach reduces the risks to programs by keeping volatile resource revenues out of the operating budget.

As a balance between long term savings and addressing immediate infrastructure needs, the GNWT is proposing an annual contribution of 5 per cent of resource revenues to the NWT Heritage Fund. This approach is considered prudent for the following reasons:

- Inaccessibility of deposits into the Heritage Fund: Contributions to the Heritage Fund become part of the Fund's principal, which cannot ever be withdrawn. In 2032-33, income from the Fund can start to be withdrawn but cannot exceed 5 per cent of the balance of the Fund. Effectively any contributions to the Fund are locked-in forever, eliminating the flexibility to use the funds if circumstances change.
- The need to address the \$3 billion infrastructure deficit: Addressing the Assembly's priority of making strategic infrastructure investments requires fiscal flexibility to take advantage of opportunities such as matching federal funds under the new Building Canada Plan, while adhering to the requirements of the *Fiscal Responsibility Policy* and the federally-imposed borrowing limit. Improved infrastructure is a legacy for future generations as it provides benefits that will be enjoyed over many years.

- The need to repay the short-term debt financing generated when the GNWT increased its capital spending as part of its stimulus efforts following the global economic downturn in 2008 and 2009.

Consequently, the GNWT proposes retaining flexibility over the majority of the new resource revenues to invest in infrastructure and pay down debt. As the GNWT's infrastructure deficit is reduced or resource revenues rise with more resource development, contributions to the Heritage Fund may be increased.

The GNWT will seek public input on its proposed approach to managing resource revenues this Fall through public consultations, including meetings in seven regional centres. A report of the results of these consultations will be tabled in the Legislative Assembly in the upcoming budget Session in February 2014.