

JULIE GREEN—MLA YELLOWKNIFE CENTRE

REPLY TO BUDGET ADDRESS

February 13, 2019

MS. GREEN: Mr. Speaker, this year's budget address was pushed to the side temporarily while we discussed more immediately pressing issues. Even before the Minister of Finance finished his budget address last Wednesday, the Union of Northern Workers announced it had served a strike notice. My email inbox filled up with messages from constituents and other NWT residents. In almost every case, their rationale was fear of lost earnings. They are living paycheque to paycheque, and they can't afford to be without income for even the briefest period of time. This situation is not unique to government workers. In fact, a couple of months ago, a local bank manager told me he estimated 80 percent of the local population live hand to mouth. Part of the issue here is the spending choices people make, but another part is the high cost of living in the North. I decided to take a different approach to my budget evaluation this year, looking at what the government is doing to address the high cost of living for working families.

In our mandate, we made lowering the cost of living one of our central priorities. We all agreed to take action on affordable housing, food security, childcare, investments in cost-effective and renewable energy, and promoting federal investment in reducing the cost of living for Northerners. Budget 2019 represents our last chance to deliver on that promise to lower the cost of living.

First of all, how do we measure the cost of living? There are many possibilities, but the one I am going to use is the living wage. The living wage is simply this: the amount of money someone who is working full-time requires to pay for the basics. The living wage budget doesn't include owning a home, paying down debt, or saving for retirement, among other things.

Mr. Speaker, the living wage is calculated using the nationally recognized standard called the Canadian Living Wage Framework. The standard ensures inputs are consistent across the country, and the results are comparable year over year and among jurisdictions. Rates are calculated for many different family types, but the one I'm going to focus on is the family of four. It is the most common family type in the NWT. There are two adults, both working full-time, with one child in school and one in licenced daycare. According to the November 2017 calculation, a family of four living in Yellowknife needs a gross annual income of \$92,518, or \$20.96 an hour per adult. Let me put that hourly wage into context. Almost a third of the NWT earns less than \$20.00 per hour according to Bureau of Statistics numbers for 2017.

Mr. Speaker, the greatest expense for most working families in Yellowknife is shelter. The affordability of market rentals is a serious problem. That last community housing survey revealed that one in seven households are paying more than 30 percent of their gross income on shelter. The response of Budget 2019 to this problem is inadequate. The budget makes \$600,000 available for the Transitional Rent Supplement Program, a figure that hasn't changed in three budgets. More than 1,000 households in Yellowknife and another 700 across the territory face affordability problems. Even if every

household qualified for the program, each would only receive \$333 for a year, not a month but a year. I'm sure families would appreciate the support, but, clearly, it's not enough.

Another possible solution to affordability is to increase the stock of public housing where rent is geared to income. No luck for most Yellowknife families, unless they are homeless, because of the long waiting list. In 2019, the Housing Corporation plans to build just 32 public housing units, most of them to rent to seniors. While the increase in public housing for seniors is very welcome, it won't help working families. We have yet to see any plan for how the federal infusion of housing dollars will improve supply for them. Another solution, probably even less palatable, is to consider rent control. In our mandate, we committed to address affordability. The mandate tracker is confusing about the government's success on this point. It shows both that this commitment has been fulfilled and that it is in the planning stage. Either way, affordability is still a big problem. On the issue of affordable housing, I am giving Budget 2019 an F.

Mr. Speaker, home ownership is usually not possible for one-income and low-income families, especially when the costs of heat, utilities, taxes, maintenance, and insurance are added in. All of those costs have gone up during the 18th Assembly, and as I mentioned earlier, the living wage of \$20.96 an hour contains no provision to save for a down payment, so people are forced to rent.

When it comes to alleviating operating costs for owners of rental properties, or for the very few low-income homeowners, territorial government contributions to energy savings programs delivered by the Arctic Energy Alliance have been constant over the last three years. The federal government has picked up some of the slack with a planned contribution for the next fiscal year of \$2.5 million. On the mandate commitment of supporting the use of energy-efficient technologies in the residential sector, Budget 2019 gets a B, thanks to help from Ottawa.

Mr. Speaker, the second largest expense families have in Yellowknife is childcare. According to research on the living wage, with reference to the family with two children, full-time care for one child, along with afterschool care, professional development days, and summer camp for the older child, will set families back more than \$16,000 a year. The fact is that childcare is unaffordable, even for parents with two good incomes, particularly if they have multiple children in care.

Childcare is also not widely accessible. The largest licensed childcare provider in Yellowknife has a waiting list of over 150 children. Eleven NWT communities do not have licensed childcare at all. Budget 2019 does absolutely nothing to change this situation. The investment in program grants and operator subsidies is exactly the same in the next fiscal year as it is in the current one.

Budget 2019 does nothing to improve accessible and affordable childcare, although, in fairness, the introduction of junior kindergarten has lifted some of the burden of childcare expenses from working families when their children reach four years of age.

Mr. Speaker, there are so many reasons for the GNWT to invest in universal, affordable childcare. The first is the benefit to children in terms of their development. Second, it

enables women to choose whether to remain in their paid jobs or stay at home with their children. The NWT Bureau of Statistics estimates that the economic multiplier for childcare services, a type of return on investment, is 9.86 jobs for every \$1 million invested. Universal childcare would create jobs in every community, including those where there is high unemployment. Finally, parents who return to the workforce, as well as the additional childcare staff, are both paying taxes and spending. Yet, there is no additional money in Budget 2019 for this pressing problem.

In terms of the mandate, we started this Assembly agreeing to institute universal, affordable daycare within four years. Midway into the term, we backed that off to simply having a plan for achieving that goal. Here at the end of the Assembly, we are nowhere on these commitments. For childcare, the Budget 2019 earns an F.

Mr. Speaker, the third largest expense for most households is food. Again using the living wage calculation, the cost of food for the family of four has increased by 10 percent between 2015 and 2017 to just over \$13,000 a year here in Yellowknife. The premise of the living wage calculation is that the family earns enough money to afford to buy good food for themselves without resorting to food banks or soup kitchens. Yet, according to the NWT Bureau of Statistics, most families struggle without these supports. One in five residents of the NWT aged 12 and up experience food insecurity. That means they don't have enough to eat, and they skip meals, or it might mean that they make compromises about the quality and quantity of food that they eat. Many students have breakfast and lunch programs at school.

The Budget 2019 response to food costs is disappointing. There is \$650,000 for the Healthy Foods for Learning program, the same amount as there has been in the last three budgets. There are very few mentions of food in the main estimates, and most relate to developing food production on a commercial basis. While those initiatives may help residents in the long run, buying food from your local grocery store is a daily challenge of adequacy against quality and quantity.

On our mandate to improve food security, I am going score Budget 2019 as a C, by giving programs now under way to improve local food production the benefit of the doubt. The most recent food security numbers are from 2014, so let's hope that they have started to go down.

The Minister of Finance promised no increases to existing taxes, but the new carbon tax is coming our way on July 1. The GNWT estimates that the impact of the carbon tax will be between \$300 and \$360 per household per year, anticipating increases to the cost of housing, utilities, and food. The government is offering a new cost of living offset benefit to reduce the impact of the tax. It estimates that there will be a net benefit to families of between \$400 and \$450 a year from this initiative. We won't know the real impact of the carbon tax on the living wage family until it is introduced, but I understand that families are apprehensive about their cost of living increasing because of it.

Mr. Speaker, the federal government has increased the Northern Resident tax deduction, a tangible way to reduce the cost of living. Issues with Nutrition North remain. While the GNWT has signed bilateral agreements with Ottawa on housing and childcare, it is difficult to see how these agreements are going to benefit individual

families. The childcare money is being spent on workforce development rather than increased subsidies. It is unclear how the housing money will improve affordability and availability of additional public housing units.

On the mandate commitment of promoting federal investment in reducing the cost of living for Northerners, I am giving Budget 2019 a D. Yes, there is more money, but it is unclear how it is reducing the family budget for its major expenses: shelter, childcare, and food. For the working family, this budget unfortunately gets a failing overall grade.

Mr. Speaker, that is the spending side of the ledger for the living wage family. On the revenue side, labour income increased by 2.8 percent over the first nine months of 2018, compared to the same period in 2017. Yet, income rose by only 1 percent. Average weekly earnings have been steady for several years at \$1,400 a week.

Working families are eligible for the NWT Child Benefit. The NWT Child Benefit is available on a pro-rated basis to families with an income of less than \$80,000 a year. This benefit is not indexed to inflation, and its budget remains at \$2.2 million, the same as it has been since 2017. It is worth noting that the living wage family would not qualify for the NWT Child Benefit if the two workers together earned \$92,000. It is time for government to raise the income eligibility for working families and to index the benefit to inflation, as the federal government has done with the Canada Child Benefit.

Mr. Speaker, these changes represent an investment in families, families who make the NWT home, pay taxes, and count in the calculation of the territorial financing formula. It is an investment worth making. The living wage family would also receive a GST credit and the Canada Child Benefit to supplement their income. The benefits all tolled are \$4,300 a year. They would pay taxes, of course, at \$14,700 a year, so their net income for the year would be about \$82,000. I think most of us would agree that making a go of it for a family of four on that amount of money would be extremely challenging and would require some excellent money management skills.

Mr. Speaker, the greatest risk to working families in the NWT today is job insecurity. Unemployment increased by almost 1 percent from 2017 to 2018, and that is even after 2,800 people moved out of the territory, for a net loss of 911 people, the largest since the recession in 2007. The NWT economic outlook is for modest growth at best.

Budget 2019 reports that mineral and petroleum exploration will be lower this year than last, primarily because of weak commodity prices. Despite all of the government's efforts to promote mining, it is again offering just \$1 million for the Mining Incentive Program. I realize that mining companies can access incentives from the federal government as well, but the territorial government needs to put its money where its mouth is.

Mr. Speaker, there will be a decline in public- and private-sector construction jobs now that the new Stanton Territorial Hospital and the Gahcho Kue mine are complete. The overall picture shows our best days are behind us, at least for now.

The budget says, and I quote: "Despite solid economic growth for 2017, the NWT economy remains 10.3 percent smaller than it was in 2007 before the global financial crisis." It's worth noting as well that full employment is 11 percent below those pre-

recession levels. As I said last year and I say again now, it is the time to redouble efforts to diversify the economy. The budget papers acknowledge the importance of spreading risk among a number of sectors, yet ITI's economic diversification budget is up by a paltry \$125,000 this year, although I realize there are modest investments in specific areas, as well. Clearly we need to do more to secure a robust economic future for working families.

I'm going to take a small detour here. It's interesting to me that the budget papers report on the performance of what are called "other sectors." These other sectors include commercial fisheries and trapping and hunting. These two sectors together earned \$1.5 million last year. Yet tourism, a sector that earned \$203 million last year, is not part of GDP data. It's time to change that. It's important to report on one of the bright spots, the only bright spot, in our economy.

Mr. Speaker, each year during my budget address I have spoken about the need to increase revenue. Obviously, it's an ongoing issue. I am, of course, happy to see the rebound in corporate tax and royalties. I understand these revenue sources are the most variable in the budget, and often for reasons that are beyond the government's control, but that does not mean we are powerless to increase revenue in other areas. The problem is leadership.

Mr. Speaker, the 2016 revenue options paper lays out several possibilities to raise more money. A tax bracket for high individual income earners would net \$2 million a year. A 1-percent increase in the payroll tax would bring in \$20 million. A 1-percent increase in corporate tax would yield \$5 million. The revenue options paper dismisses all of these options because they would increase the cost of living, the cost of doing business, and/or generally make the NWT a less desirable place to work. There is no evidence presented to support this conclusion. It is simply a Department of Finance mantra.

Mr. Speaker, a report commissioned by the Minister of Industry, Tourism and Investment concludes there is "a significant opportunity for the NWT to benefit more from mining." I remain puzzled about why the Cabinet won't look at royalty rates. According to the budget papers, diamond production increased by 83 percent last year. I'm going to say it again, 83 percent last year, mostly thanks to Gahcho Kue. During the remaining years of diamond production in the NWT, why is government not looking at this possibility? I consider this a serious lapse in the duty of stewardship and fiscal oversight this Assembly was elected to perform. The refusal to even evaluate the adequacy and sustainability of revenue generation is not acceptable. This evaluation needn't have been tied to one sector under the Mineral Resources Act development. Because this is the last budget of this Assembly, we are not going to see any improvements in revenue, unless they are unforeseen. I strongly encourage Members of the next Assembly to renew their efforts to increase revenue based on evidence rather than received wisdom.

Mr. Speaker, as I have in other years, I again want to talk about the tremendous amount of time departmental staff, the executive council, and Regular MLAs put into budget development. This is time that could be spent on another of our roles that has been neglected in this Assembly, reviewing and improving legislation. Now the anticipated backlog of legislation is about to arrive. We have been talking about the budget since

September.

Mr. Speaker, I recommend that Regular MLAs study alternatives to the way we now produce budgets, with input from stakeholders of all kinds, including our colleagues on the other side of the House. If there is a way to free up time to make the budget process more efficient and to find more time to work on other legislation, then we should take it. Mahsi Mr. Speaker.