



Budget address 2018 - 2019

presented by

**PREMIER
SANDY SILVER**

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Introduction

Thank you, Mr. Speaker.

I am pleased to rise and deliver the Government of Yukon's 2018–19 Main Estimates, our government's second annual Budget.

Government budgets are, by nature, aspirational.

They speak to problems yet to be solved.

They outline public assets yet to be built.

They account for spending and revenue that is yet to happen.

Budgets may be delivered in this House when the Finance Minister speaks, but the actual delivery – the true implementation – comes later, when Yukoners put the plan into action.

The real results take place in communities and in people's day-to-day lives – where it matters most and with many hands doing the work.

So, to our government, the Budget is really a statement of our collective will to do better as a territory – steadily, confidently, inclusively and measurably.

We seek to deliver budgets that engage more people in building a stronger Yukon and to ensure everyone is working more effectively together, inside the territorial government, in municipalities, First Nations or the private sector.

A budget should do more than account for the spending of public dollars.

It should be a plan for getting the most from public dollars.

A budget should support a more systematic, informed and open approach to making government decisions and investments.

This Budget is a significant step towards this.

It also supports deeper engagement with the public. We want everyone to be able to measure progress, see results and find ways of contributing to that positive change.

For too long, Government of Yukon budgeting was a year-to-year process.

Investments were announced, and capital projects were built, without thought to a long-term strategic approach.

The cost of operating and maintaining capital assets was not fully considered, or even included, as Yukon's population grew and changed.

This approach had reached its limits when our government came into office.

The Government of Yukon's finances were on an unsustainable path.

Significant deficits were projected for coming years.

People in Yukon did not see a clear or realistic plan for the territory.

The Yukon government's fiscal process was out of sync with the maturing of Yukon's economy and changing nature of people's needs.

So, our government is determined to deliver budgets that get the fundamentals right.

That might seem like a modest goal but it is not.

It is truly aspirational because it puts its faith in the ambitions and abilities of Yukoners.

A strategic approach helps people and the territory achieve their full and significant potential.

A strategic approach means no challenge is too difficult, as long as Yukoners begin making decisions, together, to overcome it.

That strategic approach is taking clearer shape in our 2018–19 Budget.

Clarity and transparency in public finances

We have made a deliberate decision to increase certainty in Yukon's public finances, beginning with our first Budget.

As a result, when the Supplementary Estimates were tabled for the 2017–18 fiscal year, they did not differ greatly from the Main Estimates presented last April.

This represents genuine progress in developing more accurate forecasts, and fully accounts for the year's true expenses.

In addition, as we committed to do, our government is releasing a fiscal and economic outlook at the same time as the Budget.

The Government of Yukon's 2018 Budget presents a fiscal outlook that has improved from the previous year's projections.

There is already stronger growth than anticipated in 2017.

Our labour market continues to be among the most resilient in the country.

Increased activity in mining and tourism, coupled with continued strength across most sectors and an improving outlook for global growth, are all contributing to a more promising outlook for our economy.

Revenue is forecast to be \$1.333 billion.

Total costs are expected to be \$1.338 billion.

Of this, \$280 million is capital spending.

Operations and maintenance spending is \$1.2 billion.

The government's accumulated surplus as of 2018–19 will be \$1.4 billion.

These 2018–19 Main Estimates show a deficit for the year of \$4.5 million.

The deficit is the result of increasing costs in operations and maintenance.

Let me take a moment to put this in context by pointing out some areas where costs increased.

Spending on operations and maintenance for health services and social services is up \$37.1 million, an increase of 10%.

Of this amount, \$24 million is for the new Whistle Bend Continuing Care Facility, a cost that was not built into long-term projections in the past.

Increased Health and Social Services costs also reflect a more realistic forecast of insured health costs.

In the past, these were not included in the Main Estimates.

Rather, they were only accounted for in the Supplementary Estimates.

We made this change as part of our effort to be more transparent in the Main Estimates.

There are also additional costs of \$2.3 million to provide space for 10 more seniors who need continuing care at the Thomson Centre.

This will free up acute care beds at the Whitehorse General Hospital.

This project also has a one-time capital cost of \$1.2 million.

We also had to budget \$4.6 million for the environmental clean-up of the Marwell Tar Pits.

In June 2010, the Governments of Canada and Yukon reached a financial agreement for the assessment and remediation of this site.

Federal funding was received but previous governments did not act upon the obligation.

Again, in the interest of transparency in public finance, it is time to account for that cost and get the work underway.

Higher enrolment in schools has contributed to higher costs in education.

We have therefore increased the Department of Education budget by \$6.8 million over the Main Estimates for 2017–18.

These items explain some of the increased costs in this fiscal year.

We can anticipate that the 2019–20 Budget will also be in deficit.

These deficits are not as large as we had anticipated a year ago in our first Budget in 2017.

This is, in part, because of the fiscal approach our government is taking to fully account for costs.

We will continue communicating with Yukoners about our plan to return government finances to surplus, which we expect to do in 2020–21.

While striving for clarity and transparency is important, we know that no one can get a forecast exactly right.

There will be unforeseen circumstances.

There will be unexpected events.

However, we can always meet the expectation of Yukoners that government finances be transparent and credible.

Continuing pressure from operations and maintenance

In the interests of transparency, our government is being open with Yukoners about the challenges in operations and maintenance spending.

This spending is increasing at a pace that must be addressed.

We will be addressing operations and maintenance spending in the short term to get back to surplus by 2020–21.

But there is a long-term challenge, too.

These costs are presently on a steady upward trend that we must bring down to align more closely with the government's ability to pay.

This upward trajectory is due to an aging population and increasing demand for public services.

If we do not address it, then the Government of Yukon will face the continuing risk of more substantial deficits in future years.

As our capital base has grown, our finances have not kept pace.

Long after the ribbon is cut on a new facility, and the builders have been paid, there are continuing costs in all the years afterwards to keep it running and to pay for any new programming.

The previous government did not always fully account for operations and maintenance costs, even as the government's capital assets grew.

We need to pay continued attention to sound financial management in order to return the government's finances to a path of fiscal sustainability.

Our government will do this work in consultation with Yukoners.

Already, these conversations are underway.

Financial Advisory Panel

The final report of the Financial Advisory Panel last fall was an important first step.

The goal was to learn more about Yukon's long-term financial trends, explore all options and give Yukoners a chance to voice their opinions.

The panel delivered a comprehensive report that captures many different voices.

As a result, there are many options open to us and feedback to inform decisions.

While we have rejected some options, such as introducing a harmonized sales tax, we are considering other options the panel raised.

This year, our government will begin three early actions on some of the panel's recommendations.

One. We will complete a comprehensive review of Health and Social Services as the panel suggested.

Almost one in three dollars are spent on these services.

This will be an exercise in obtaining value for this investment.

It will look at innovations in health care delivery and build on the review done 10 years ago to improve the well-being of Yukoners.

Two. We will increase the efficiency and effectiveness of delivering overall services to Yukoners.

We will look not just at what government does, but how it does it and it will find ways of doing things better.

Yukon must ensure it is the “right size” for the responsibilities it has and the people it serves.

Three. There are opportunities to consider how our government can stop doing work that elsewhere in Canada is done by the private sector.

The Government in Yukon needs to get out of the business of business.

Yukon’s vibrant business sector is a source of innovation and expertise.

We can also help others such as First Nations development corporations and municipalities be innovators in offering services. We believe this would make better sense for communities.

We will also explore strategic partnerships with others that benefit Yukoners.

All these types of collaborations can help diversify our economy while meeting the needs of Yukoners.

We will provide more details throughout 2018 and will outline some new measures in next year’s budget.

And, throughout the year, we will keep up the conversation with Yukoners on doing government better.

Cannabis

Before moving on, Mr. Speaker, one new financial measure in 2018–19 and beyond relates to the legalization of cannabis.

In December, Canadian finance ministers agreed in principle to a cannabis taxation approach.

We believe it will best meet the objectives to restrict cannabis use by youth and, as much as possible, eliminate the illegal market.

When we formalize this two-year agreement, Yukon will receive 75% of the federal cannabis excise duty revenue generated in the territory.

Yukon will also receive a proportional share of federal cannabis excise duty revenue generated in Canada above the \$100 million cap on federal revenues from the federal cannabis duty.

Our government will continue to inform Yukoners as implementation evolves.

Keeping up the conversation with Yukoners

Mr. Speaker, we believe a Yukon Budget should reflect the lives, challenges and ambitions of Yukoners.

We believe governments must lead, but that leadership should be informed by listening.

We consider it an important role for Cabinet to understand the issues from the community perspective, not just the government perspective.

The Government of Yukon's Cabinet and all Members of caucus have been facilitating those discussions at every opportunity.

We are engaging in ways and on a scale that have not been seen before in Yukon.

From April to January of this year, ministers made 107 visits to Yukon communities.

To get more from public dollars, we need to understand the needs in communities, the actions those communities are already taking and then the role that the territorial government can play in meeting those goals.

You cannot fully understand a community by reading about it from Whitehorse.

You have to hear people's life experiences to appreciate the context of a problem or a need.

We are finding that when we get more people at the table for these discussions, we can see more clearly how we can work together.

When different orders of government approach problems together, we invest in ways that make the most sense and ensure our collective efforts deliver the most benefit to the people we all serve.

This two-way communication is vital to determining priorities because it is not possible for the government to say "yes" to every community and every request.

However, if we keep talking, we will keep making progress.

Allowing good ideas to be heard

Our government is also working to promote a more collaborative approach to problem-solving among public servants.

As Members know, I was a teacher in my previous career.

Many of us in education wanted to contribute ideas that would improve student outcomes.

There were limited opportunities to give that advice.

We did not feel that the experience on the ground was having enough influence over the direction of the government.

It is part of the reason I entered public service: to be part of a government that does a better job of listening.

When Yukoners see better ways of doing things, we want to hear about it.

Good ideas come from every organization and at every level.

Just as we want to listen more to the Yukon public, we also want to listen more to the public service.

I know that within the Government of Yukon, the dedication and ingenuity of public servants has been an under-used asset.

Our Cabinet and caucus want to promote both formal and informal ways of exchanging ideas with the public service.

Innovation is best supported by creating occasions for people to have conversations that would not normally happen.

One person's everyday experience is another person's insight.

These interactions lead to a culture of problem-solving and innovation.

Many people in the public service have ideas for more efficient and effective government, but no one has ever asked.

Our government is asking.

Continuing collaboration with First Nation governments

The conversation between our government and Yukon First Nations is also becoming more productive.

Together, we are taking significant action on reconciliation and on building a true government-to-government relationship.

At the Yukon Forum we have crafted a Joint Priority Action Plan to guide us forward together.

To build a new relationship, we cannot simply do things the way they have always been done.

Gone are the days when First Nation leaders only meet with the federal Indigenous Affairs Minister.

That is Band government.

It is not Self-Government.

Now, self-governing First Nations speak to the Health Minister about health, and the Infrastructure Minister about infrastructure, and so forth.

Gone are the days when Yukon's Premier routinely takes meetings with federal ministers alone.

Instead of bringing a message back to Yukon First Nations, we invite Yukon First Nations to the meeting.

And that sends a clear message: We are here to get things done, together.

Those we partner with can see that productive relationships exist.

The trust is there to resolve issues through negotiation, and not through litigation.

The First Nations perspective is being built into prospective projects, because their representatives are in the room from the very beginning.

This is why our Ministers and I place great value on the strong government-to-government relations that have emerged from the Yukon Forum.

Our government was pleased in 2017 to sign a memorandum of understanding with 11 First Nations on a “one-government approach” to Yukon’s mining sector.

We are pleased to be making progress on Class 1 notifications as part of this process.

Resource companies also appreciate the certainty that comes with having First Nations governments fully engaged during the negotiation and development of a project.

Tara Christie, CEO of Whitehorse-based Banyan Gold, said this:

“If there’s a strong relationship there, it makes it so much easier for industry to develop relationships and continue the conversation.”

Five-Year Capital Plan

As I have said, we need to get more from public dollars and deliver the greatest possible benefit to Yukoners.

A clear and understandable capital plan will help us get more from these investments.

So, for the first time, the 2018–19 Budget includes a Government of Yukon long-term capital plan.

Under the plan, spending will be consistent over each of the five years, at about \$280 million per year, on average.

So, procurement opportunities will be rolled out in a more organized fashion.

This avoids overheating the construction sector, only to have it slow in other years.

Anyone in Yukon can review the capital plan to see which projects will be funded and when.

Mr. Speaker, while this is our first iteration of such a plan, it helps ensure Yukon-based companies can bid on more work by spreading out construction activity.

Local businesses and First Nations will be better able to secure government contracts because they will have a better understanding of what is coming down the pipe.

The five-year approach ensures maximum economic benefit and job creation.

It gives resource companies more certainty in knowing which infrastructure projects are being supported and when they will be built.

Mr. Speaker, while we are very pleased with where we landed on this first plan, it is not written in stone.

We will continue to work with industry to ensure that it meets their needs as well as ours.

We will remain agile in order to meet emerging needs and will continue to improve upon this document each year so that it better serves the public and local business.

We are also committed to putting tenders out at the right time, not just-in-time.

We have heard from our local contractors that seasonally-dependent large construction projects are tendered too late to prepare.

In particular, we are issuing tenders worth \$46 million for seasonally dependent projects well in advance of when ground must be broken.

At the moment, the capital plan is balanced to meet Yukon's most critical needs for future growth and prosperity.

It includes upgrades and maintenance of Yukon's highway system, which gets people and goods to where they need to be, including an increasing number of tourists.

Overall, this budget contains \$65 million to improve our transportation system.

There is \$42 million this year for municipal and First Nation infrastructure.

Our budget also commits to building and maintaining the government's social and affordable housing units, which supports the most vulnerable Yukoners.

Over the coming year, we will be working with the Challenge Disability Resource Group to conclude an agreement on government support for its affordable housing project in Whitehorse.

Expanding Yukon's health care options help meet the needs of elderly Yukoners.

This includes continued investment in the Whistle Bend Continuing Care Facility and the creation of space for 10 more people at the Thomson Centre.

Investing in school facilities will help meet the needs of a growing Yukon student population.

This year, there is \$3 million to advance the construction of a new French language secondary school in Whitehorse.

Better IT infrastructure helps the Yukon government to provide better, more transparent and more timely information to the public.

The \$14.3 million in IT spending this year can help drive innovation.

In addition, we will be investing \$1.9 million this year on a Yukon Innovation Hub.

This hub will serve as a catalyst for new opportunities that can grow our economy by connecting entrepreneurs, industry, government and the academic and non-profit communities.

This project focused on collaboration is itself a collaboration involving Yukon College, CanNor, Co-space, Yukonstruct and the Yukon Development Corporation.

The Five-Year Capital Plan is an opportunity to develop a true Yukon approach to infrastructure.

But, Mr. Speaker, it is also an opportunity to improve. And we will continue to improve on our capital planning year after year.

There is also significant funding available from federal infrastructure programs in this year's budget, and there may be new programs in the future.

We need to make the most of these opportunities while also making sure the projects work for Yukon.

This means sitting down with local communities and First Nations to plan together, determine the highest priorities, look at affordability, consider land use and discuss shared responsibilities, including cost.

Instead of reacting to every federal program, we will proactively determine Yukon's needs, taking into account that the capital assets we build today will be an operations and maintenance cost for a long time after.

By getting everyone at the same table, with everyone informed by a Five-Year Capital Plan, we can build what we need in ways that are affordable and sensible.

Conclusion

In closing, we are entering a new era for Yukon.

The size of our territorial budget, the assets we own and the opportunities before us are growing.

There is volatility in the world in which we operate.

There are changes, such as an aging population, on our horizon.

At the same time, in all sectors of the economy, there have never been more opportunities than what we see in Yukon today.

There are strong and special qualities that define Yukon and its people.

Yukoners value what we have built together.

But there is a time for new approaches and increased efforts.

We have done well.

But we can do better.

We must make investments, re-think approaches and do government differently.

Budgeting from year to year is not enough.

Putting capital projects out the door from year-to-year is inefficient.

Our government is thinking more critically about where we invest, how we invest, why we invest.

We will consider and account for the cost of maintaining and operating assets and delivering services.

There needs to be a plan – one that Yukoners can see, understand and engage in.

Over the past year, we began establishing this plan.

With the 2018–19 Budget, we will take this approach further.

In the years ahead, there will be more new measures to secure the Government of Yukon's long-term fiscal sustainability.

We have absolute faith that none of the challenges are too big or too difficult to manage, especially if we begin taking action today, and doing it, together.

But we need to seize this moment in Yukon's history.

Our job as a government is to work with Yukoners to achieve all that is possible with all that we have:

Hard working people, strong communities, a beautiful environment, resource wealth and a quality of life that is the envy of other places.

In doing so, our government will listen.

We will learn.

We will lead.

And we will deliver results and be judged by our progress.

This is the government we will deliver to Yukoners.

The 2018 Budget continues that work.

There will be much more to come.

Thank you.