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ANNUAL NORTHERN EXPENDITURE PLAN 1996 / 1997



Photo on cover

Anyuittuq National Park, Nunavut
(Thor Mountain - Qaissualuk)

This mountain has a very smooth face, its peak soaring to 1,675m in height, Qaissualuk. It has the longest uninterrupted cliff face in the world, about one kilometre in length.

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A N N U A L
N O R T H E R N
E X P E N D I T U R E
P L A N

1996 / 1997

ANNUAL
NORTHERN
EXPENDITURE
PLAN
1996 / 1997

First Nations and Northern Statistics Section
Corporate Information Management Directorate
Information Management Branch
Department of Indian Affairs and Northern Development

May 1999

This publication is accessible through
our internet site under Publications
at: www.inac.gc.ca

Published under the authority of the
Minister of Indian Affairs and
Northern Development
Ottawa, 1999

Annual Northern Expenditure Plan 1996/1997
QS-3602-000-BB-A1
Catalogue No.: R71-17/1997
ISBN 0-662-63304-0

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ACKNOWLEDGEMENTS

This publication was prepared under the direction of David Dahm, Manager of First Nations and Northern Statistics, Corporate Information Management Directorate and Mindy Pedersen, Analyst, First Nations and Northern Statistics. The principal author of this 1996/1997 version of the Annual Northern Expenditure Plan is Caroline Pelletier assisted by Lizon Gros-Louis, Jean Fisk, Rola El-Zoor and Arnold Current.

Many government organizations and individuals also helped to make this publication possible. The support and assistance provided by co-ordinators in the contributing federal departments and agencies, the Government of the Northwest Territories and the Government of Yukon, the Northern Affairs Program and the Finance Branch of the Department of Indian Affairs and Northern Development are greatly appreciated.

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INTRODUCTION

Background

The Annual Northern Expenditure Plan (ANEP) is a regional overview of government expenditures and related government employment for the Northwest Territories and Yukon. The Plan consolidates information on expenditures and full-time equivalents (FTEs)¹ using planned, forecast and actual utilization by the governments of the two Territories and by 26 federal departments and agencies with expenditures on programs and activities in, or related to, the North.

Policy Framework

The Northern Affairs Program provides the federal government's focus for formulation, co-ordination and implementation of programs in the territories of Canada's North. The fundamental goal of federal northern policy is to assist Northerners to develop durable political and economic institutions, enabling them to assume increasing responsibility for decisions that affect them directly. The essential objectives of federal northern policy are the following:

- finalizing and implementing northern Aboriginal land claims and self government agreements;
- working with northern governments and Aboriginal people to further the political evolution of public governments, including division of the Northwest Territories and devolution of remaining provincial-type responsibilities to the territorial governments;
- protecting the northern environment, through initiatives such as the Northern Contaminants and Hazardous Waste Programs and the circumpolar Arctic Environmental Protection Strategy (AEPS);
- supporting sustainable development of the North's

resources and economy; and

- fostering international Arctic co-operation.

Source of Data²

The federal departments and agencies and the governments of Northwest Territories and Yukon are surveyed each year on their annual expenditures in, or related to, the two territories. For this plan, agencies were requested to provide data for a four-year period on planned direct expenditures for 1996/97, an updated forecast of expenditures for 1995/96 and actual expenditures for 1994/95 and 1993/94. The data for 1996/97 are based on expenditure plans contained in the Main Estimates series published by the federal and territorial governments and contributing Crown Corporations.

The expenditure and employment data collected constitute the northern expenditure plans of the federal and territorial governments. The Plan includes not only expenditures in the North, but also those undertaken in the south when the expenditure is for the North.

Adjustments

ANEP is designed to report on northern expenditures by the agency that has the

final responsibility for managing them. Because of the working relationships between some agencies and the movement of funds, expertise and services among these agencies, procedures to minimize double-counting of funds have been incorporated into the Plan.

Two types of adjustments are built into the computer program to minimize double-counting: interagency transfers of funds and interagency sales and purchases.

- Interagency transfers take place when funds are sent from one reporting agency to another. The receiving agency has responsibility for administering the final disposition of the funds. In most cases, such transfers are from federal government departments to the territorial governments.
- Interagency sales and purchases occur when one reporting agency purchases goods and services from another. Ideally, the amounts reported as purchases by one agency are balanced by sales reported by the selling agency, but limitations in financial systems make a certain amount of double-counting unavoidable.

Notes

1. See Glossary for a definition of "FTE".

2. For this report, the terms *northern*, the *North* and *North of 60°* all refer to Yukon and the Northwest Territories. Expenditures for Arctic Quebec and Labrador, also North of 60°, are not included in this publication (see Map 1).

OVERVIEW

During the past 10 years, total government expenditures for the North increased yearly until their peak in 1991/92 when National Defence completed the major capital investment for the North Warning System.

The federal government direct expenditures and presence in the North have steadily decreased thereafter with program reductions by most federal agencies, and transfers of provincial-type programs to the territorial governments. Conversely, the territorial government presence and share of direct Northern expenditures have increased

with the transfer of federal responsibilities.

The increased total in 1993/94 was a result of higher expenditures by DIAND related to the new funding required to implement settled Aboriginal Land Claims. In fact, with the signing and implementation of the Nunavut Land Claim Agreement in 1993/94, statutory expenditures for the implementation of land claims have become the primary factor influencing the doubling of DIAND's direct expenditures.

When National Defence and DIAND's expenditures for land claims are extracted from federal

expenditures, the overall trend of federal expenditures is downward since 1992/93 as most federal departments and agencies have reduced expenditures in recent years.

Since 1987/88, the larger program transfers have been the remainder of Health Services from Health Canada to the Government of Northwest Territories (GNWT), the "A", "B" & "C" airports from Transport Canada to the territories; the Alaska Highway from Public Works and Government Services; and the Whitehorse General Hospital from Health Canada to the Yukon Territorial Government (YTG).

Map 1: The North (as defined by ANEP)



Aboriginal Land Claims

No new comprehensive land claim agreements were signed in 1996/97. This report, however, includes for the first time the statutory payment of \$14.7 million for the implementation of the Council of Yukon Indians Land Claim Settlement.

For a complete list of northern claims, see Appendix 1.

Devolution of Provincial-Type Responsibilities

The negotiated devolution budgets are normally incorporated into the federal formula funding transfer payment and paid directly to the territorial governments on a yearly basis.

The following devolution agreement was implemented from 1995/96 to 1996/97.

- The "A" airports (larger airports with longer runways) from Transport Canada to the YTG in 1996/97. Due to the timing of the transfer, the Department of Transport only adjusted the data to account for the change. The YTG data will be adjusted in the next publication.

Discussions are continuing for the following transfers:

- All remaining provincial-type responsibilities from DIAND to the Yukon Government in fiscal year 1999-2000 including the management of forestry, minerals, land, and water resources.
- All remaining health services from Health Canada to the YTG in Fiscal year 1197-1998.

For a complete list of program transfers since 1987/88, see Appendix 2.

Changes to Contributing Agencies

The Canadian Coast Guard was transferred from the Department of Transport to the Department of Fisheries and Oceans effective April 1, 1995.

During 1995/96, DIAND transferred responsibility for the Formula Funding Grants to the Department of Finance thereby reducing DIAND transfers and total northern expenditures. Also, in 1996/97, the Department of Finance became responsible for the Canada Health and Social Transfer (CHST) payment, which replaced the Established Programs Financing (EPF) from Health Canada and Human Resources Development. The CHST is provided to all provinces and territories supporting health, post-secondary education, and social assistance programs.

TREND IN GOVERNMENT NORTHERN EXPENDITURE

Highlights

The trend in annual northern expenditures is shown on Graphs 1 and 2. Graph 1 shows the trend in total government expenditures both in current dollars and constant dollars¹.

As shown in Graph 1, total planned expenditures for 1996/97 were \$2,584.2 million, down \$182.9 million or 6.6% from the 1995/96 expenditure forecast. Over the period of data provided, total expenditures went up from \$1,977.2 million to \$2,584.2 million, an increase of 30.7% over 10 years.

The general downward trend from the peak in 1991/92 has continued, however, as transfers of provincial-type programs and program reductions, particularly at the federal level, have offset the new expenditures on claims that began in 1993/94.

Federal government expenditures have declined each year after 1991/92 except for 1993/94. The main factors accounting for this decline were the completion of the North Warning System by National Defence and program reductions by other federal agencies. The exception in 1993/94 resulted

Graph 1: Trend in Total Government Northern Expenditure (\$ millions)

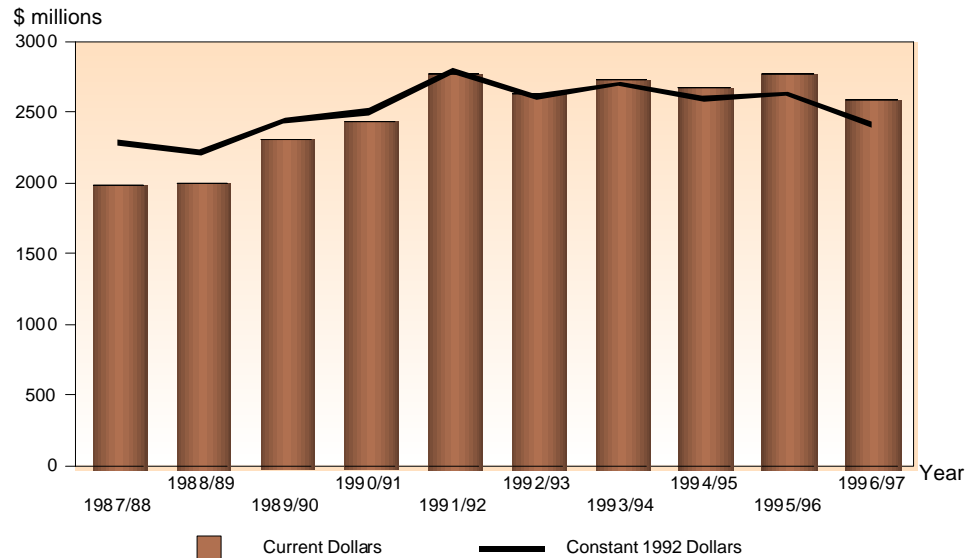
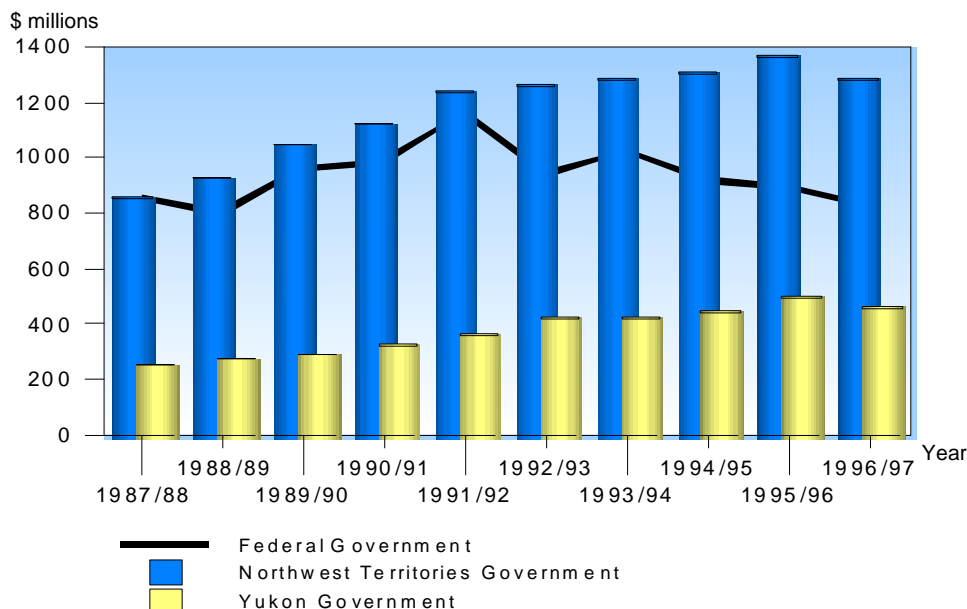


Table 1: Total Government Northern Expenditure (\$ millions)

Years	Current \$	Constant 1992 \$
1987/88 Actual	1,977.2	2,292.4
1988/89 Actual	2,000.5	2,219.1
1989/90 Actual	2,304.3	2,448.1
1990/91 Actual	2,428.4	2,506.1
1991/92 Actual	2,767.9	2,797.4
1992/93 Actual	2,630.2	2,621.1
1993/94 Actual	2,733.8	2,693.4
1994/95 Actual	2,676.3	2,599.5
1995/96 Forecast	2,767.1	2,622.1
1996/97 Planned	2,584.2	2,415.7

Note:

1. In this edition, constant dollars are calculated using 1992 dollars equal to 100 and the results show constant dollars as an inflated value for 1987/88 to 1991/92 and a deflated value for all subsequent years. The constant dollar series was derived from the Gross Domestic Product Implicit Price Index (1992-100).

Graph 2: Trend in Northern Expenditure by Government (\$ millions)**Highlights**

from the first statutory payment of \$121.8 million from DIAND to implement the Tungavik Federation of Nunavut Land Claims Agreement.

The devolution of federal programs to the territorial governments such as the Alaska Highway from Public Works; the Whitehorse General Hospital from Health Canada; and the "A", "B" and "C" airports from Transport Canada have also had an impact on the federal reductions over the years.

The territorial government expenditures have continued to grow, primarily because of devolution of federal government responsibilities which impacted on their expenditures¹. YTG expenditures may increase again in 1996/97 when the "A" airports, transferred from Transport Canada in 1996, can be included in their budget.

Table 2: Northern Expenditures by Government (\$ millions)

Years	Federal Government	Northwest Territories Government	Yukon Government
1987/88 Actual	863.2	858.2	255.8
1988/89 Actual	802.0	926.0	272.5
1989/90 Actual	963.4	1,046.4	294.5
1990/91 Actual	984.0	1,119.3	325.1
1991/92 Actual	1,162.9	1,242.0	363.1
1992/93 Actual	944.1	1,261.6	424.6
1993/94 Actual	1,025.0	1,283.8	425.0
1994/95 Actual	923.1	1,307.6	445.5
1995/96 Forecast	897.2	1,370.7	499.1
1996/97 Planned	830.9	1,286.7	466.5

Note:

1. Although some federal programs have been transferred to the YTG over the years, the federal government still continues to pay the costs of the transferred programs through the Formula Funding Transfer Grants.

TREND IN GOVERNMENT NORTHERN EMPLOYMENT¹

Highlights

During the period of data provided, total government FTEs have declined by 24.7% from 11,694 in 1987/88 to 8,572 in 1996/97. Factors accounting for this overall reduction are the devolution of federal programs to the territorial governments, program reductions, and territorial devolution of responsibilities to local boards and corporations.

In 1996/97, there was a total decrease of 383 FTEs as two of the governments, the federal and the NWT, planned reductions in personnel. In terms of federal agencies, the largest decrease (50.2%) was planned by Environment Canada as a result of reductions in the Atmospheric Environment activity.

Transport Canada also had a reduction of 15% in FTEs with the transfer of the "A" airports to the YTG in 1996. This transfer, however, was not completed in time to be included in the YTG Estimates for that year. FTEs in the YTG will increase accordingly in the next publication.

Graph 3: Trend in Total Government Northern Employment (full-time equivalents)

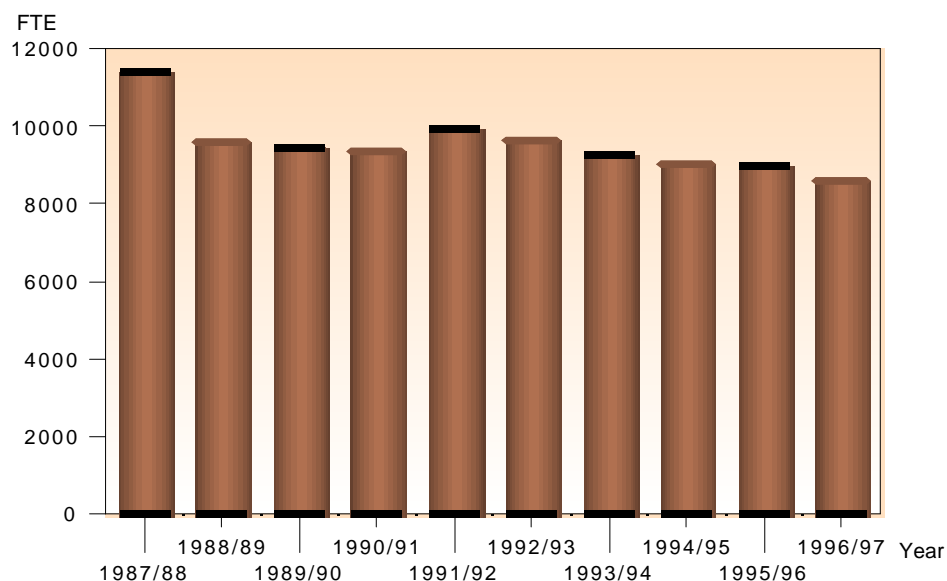
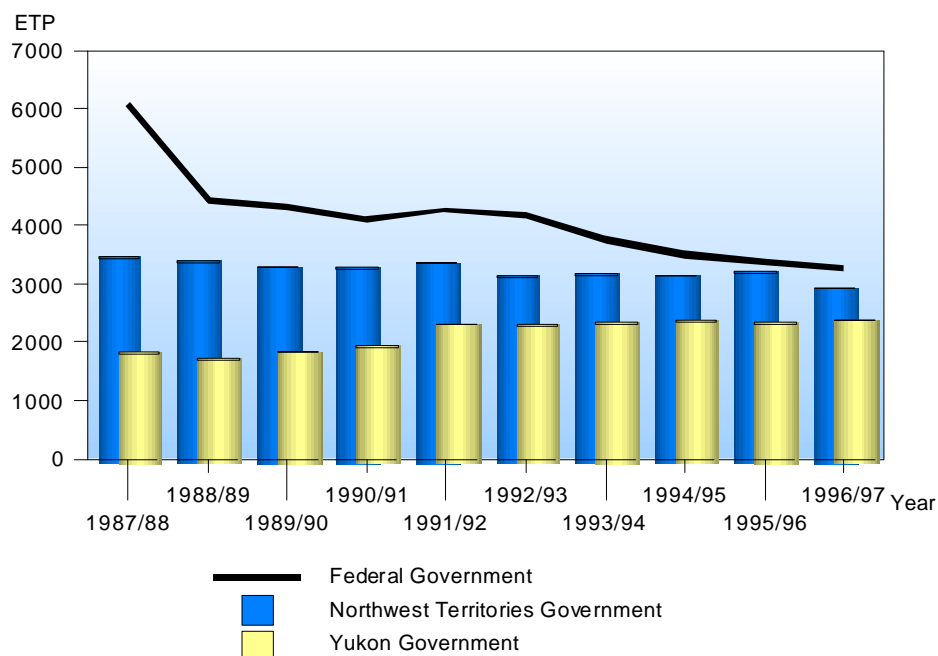


Table 3: Government Northern Employment (full-time equivalents)

Years	Northern Employment
1987/88 Actual	11,694
1988/89 Actual	9,597
1989/90 Actual	9,462
1990/91 Actual	9,363
1991/92 Actual	9,931
1992/93 Actual	9,632
1993/94 Actual	9,257
1994/95 Actual	9,012
1995/96 Forecast	8,955
1996/97 Planned	8,572

Note:

1. See Glossary for a definition of "Government Employment".

Graph 4: Trend in Northern Employment by Government (\$ millions)**Highlights**

As seen in Graph 4, there has been a net federal decline of 2,787 FTEs from 1987/88 to 1996/97. The largest decline took place in 1988/89 when National Defence shifted emphasis to areas other than the North and Health Canada devolved the remaining health services to the GNWT¹.

The GNWT employment grew steadily until 1995/96. Employment in the YTG has also increased each year since 1987/88. Devolution of provincial-type programs from the federal government to the territorial governments accounted for most of the growth in territorial employment.

Table 4: Northern Employment by Government (full-time equivalents)

Years	Federal Government	Northwest Territories Government	Yukon Government
1987/88 Actual	6,073	3,484	1,830
1988/89 Actual	4,456	3,404	1,737
1989/90 Actual	4,340	3,290	1,820
1990/91 Actual	4,114	3,298	1,951
1991/92 Actual	4,276	3,360	2,295
1992/93 Actual	4,191	3,128	2,313
1993/94 Actual	3,759	3,163	2,335
1994/95 Actual	3,488	3,143	2,381
1995/96 Forecast	3,398	3,208	2,349
1996/97 Planned	3,286	2,906	2,380

Note:

1. With this devolution, the GNWT created regional health boards for which it provided funding, but the employees were considered board employees and were no longer reported in the territorial Estimates. Therefore, no corresponding impact on FTEs for the GNWT can be seen in the Plan. A similar situation occurred in Yukon during 1993/94 and 1994/95 with the devolution of the Whitehorse General Hospital from Health Canada to Yukon Hospital Corporation.

EXPENDITURE BY FINAL SPENDING AGENCY¹

Highlights

Expenditure by Government

The reduction of federal expenditures and share from both devolution of responsibilities and program decreases continued in 1996/97 while the share of the territories slightly increased. This change can be seen more readily in Table 5 and over a five-year period. Between 1992/93 and 1996/97, the federal proportion of Northern expenditures decreased by 3.7% to 32.2%, while the GNWT proportion increased by 1.8% to 49.8% and the YTG by 2.0% to 18.1%.

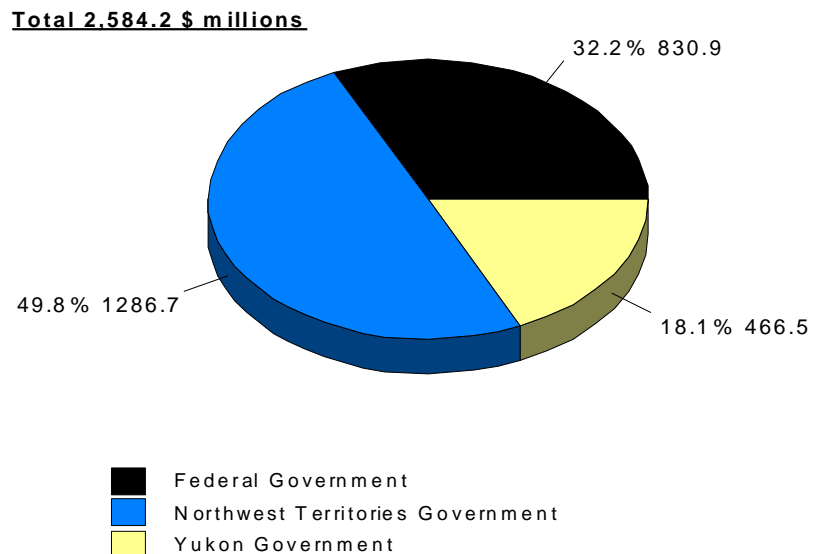
Expenditure by Federal Agency

Planned 1996/97 federal expenditures were \$830.9 million, down -7.4% from the forecast expenditures for 1995/96.

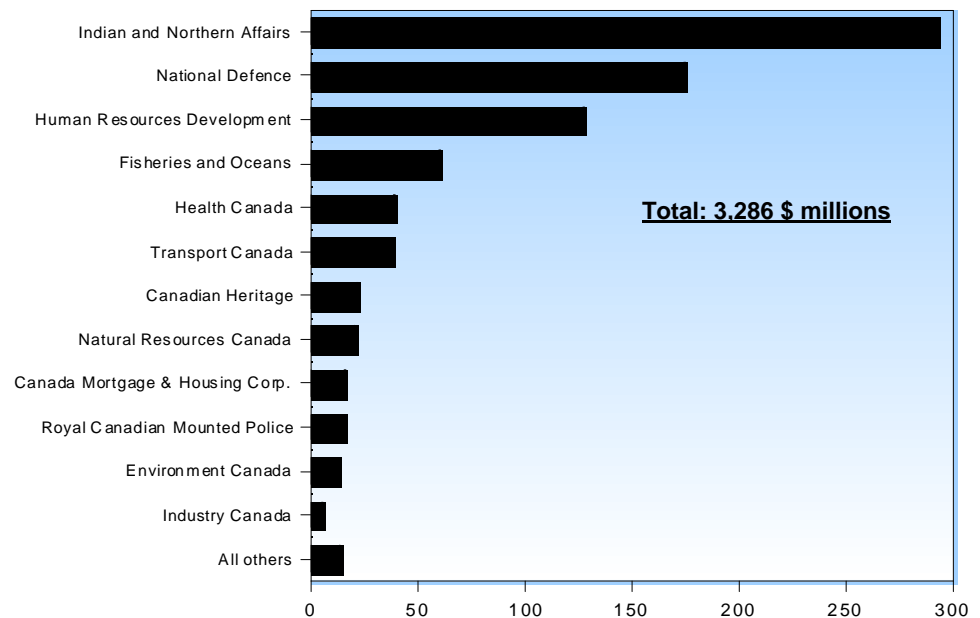
Departments with the highest expenditures on the North in 1996/97 continued to be National Defence and DIAND.

With the completion of the North Warning System project in 1991/92 and program reductions thereafter, National Defence expenditures have decreased each year from a high of \$360.9 million in 1992/93 to a low of \$174.4 million in 1996/97, a reduction of 51.7%.

Graph 5: 1996/97 Expenditure by Government (\$ millions)



Graph 6: 1996/97 Federal Expenditure by Agency (\$ millions)



Note:

1. All expenditures are by final spending agency and are net of transfers and sales to other reporting agencies. Federal agency expenditures which are presented in Graph 6 and Table 5 are in descending order of expenditure by the Agency carrying out the work.

For the past number of years, DIAND had the largest direct northern expenditures due to land claims which have become the largest component of DIAND's northern expenditures since 1993/94.

With the addition of an expenditure of \$14.7 million for the implementation of the Council of Yukon Indians Settlement, land claims have become \$150.0 million or 51.3% of the total northern expenditures for DIAND in 1996/97. Other programs such as the Arctic Environment Strategy continued in 1996/97, however, this sixth-year program came to an end on March 31, 1997.

The federal agencies with major planned decreases in 1996/97 included National Defence (primarily in capital

expenditures); Transport Canada with the transfer of the "A" airports to the YTG; Canadian Heritage in the recreation and culture function; Environment Canada in the Atmospheric Environment activity; and Public Works and Government Services in the transportation and communications area.

Those with increases included DIAND with its obligations in land claims, Human Resources Development primarily in the social services function, Health Canada with the capital construction costs required for the new Whitehorse General Hospital, Fisheries and Oceans as a result of the Canadian Coast Guard transfer from Transport Canada in 1995/96 and Canada Mortgage and Housing Corporation with increased expenditures in the housing area.

Table 5: Expenditure by Final Spending Agency (\$ millions)

Agency	1992/93		1993/94		1994/95		1995/96		1996/97	
	Actual	%	Actual	%	Actual	%	Forecast	%	Planned	%
	\$		\$		\$		\$		\$	
Indian Affairs and Northern Development	140.2	14.8	297.8	29.0	257.7	27.9	278.2	31.0	292.7	35.2
National Defence	360.9	38.2	305.3	29.8	256.6	27.8	224.0	25.0	174.4	21.0
Human Resources Development	141.2	15.0	137.0	13.4	119.1	12.9	121.3	13.5	127.0	15.3
Fisheries and Oceans	16.1	1.7	16.7	1.6	14.4	1.6	57.9	6.5	59.2	7.1
Health Canada	23.0	2.4	25.4	2.5	28.8	3.1	36.9	4.1	38.8	4.7
Transport Canada	105.5	11.2	93.1	9.1	94.5	10.2	54.2	6.0	36.9	4.4
Canadian Heritage	31.5	3.3	33.8	3.3	41.7	4.5	26.1	2.9	20.6	2.5
Natural Resources Canada	28.8	3.1	28.3	2.8	31.6	3.4	21.7	2.4	20.1	2.4
Canada Mortgage & Housing Corporation	9.0	1.0	8.5	0.8	13.0	1.4	11.7	1.3	15.7	1.9
Royal Canadian Mounted Police	23.0	2.4	20.9	2.0	21.8	2.4	14.5	1.6	15.7	1.9
Environment Canada	33.3	3.5	33.7	3.3	18.3	2.0	23.9	2.7	11.9	1.4
Industry Canada	9.8	1.0	6.0	0.6	5.5	0.6	6.2	0.7	4.6	0.6
Justice Canada	4.8	0.5	4.8	0.5	5.0	0.5	5.0	0.6	4.5	0.5
Public Works and Government Services	7.5	0.8	2.5	0.2	7.3	0.8	7.0	0.8	1.8	0.2
Federal Judicial Affairs	1.0	0.1	1.2	0.1	1.3	0.1	1.4	0.2	1.4	0.2
Revenue Canada	0.8	0.1	0.9	0.1	0.8	0.1	1.3	0.1	1.3	0.2
Canadian Polar Commission	1.1	0.1	1.1	0.1	1.1	0.1	1.1	0.1	1.0	0.1
National Energy Board	0.0	0.0	1.1	0.1	0.7	0.1	1.1	0.1	1.0	0.1
Public Service Commission	3.7	0.4	4.1	0.4	1.5	0.2	1.9	0.2	0.8	0.1
Veterans Affairs Canada	0.7	0.1	0.7	0.1	0.7	0.1	0.6	0.1	0.6	0.1
National Museums	1.5	0.2	1.2	0.1	1.0	0.1	1.0	0.1	0.4	0.1
CDN Environmental Assessment Agency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Citizenship and Immigration Canada	0.3	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.3	0.0
Agriculture and Agri-Food Canada	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
National Research Council	0.2	0.0	0.6	0.1	0.6	0.1	0.0	0.0	0.0	0.0
Finance Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Total	944.1	100.0	1,025.0	100.0	923.1	100.0	897.2	100.0	830.9	100.0
Federal Government	944.1	35.9	1,025.0	37.5	923.1	34.5	897.2	32.4	830.9	32.2
Northwest Territories Government	1,261.6	48.0	1,283.8	47.0	1,307.6	48.9	1,370.7	49.5	1,286.7	49.8
Yukon Government	424.6	16.1	425.0	15.5	445.5	16.6	499.1	18.0	466.5	18.1
Total Government	2,630.2	100.0	2,733.8	100.0	2,676.3	100.0	2,767.1	100.0	2,584.2	100.0

EMPLOYMENT BY AGENCY

Highlights

Employment by Government

As shown in Graph 7, total government employment in 1996/97 was 8,572 FTEs, a net reduction of 383 FTEs from the 1995/96 forecast. Federal and N.W.T. employment decreased by 3.3% (112 FTEs) and 9.4% (302 FTEs) respectively while Yukon employment increased by 1.3% (31 FTEs).

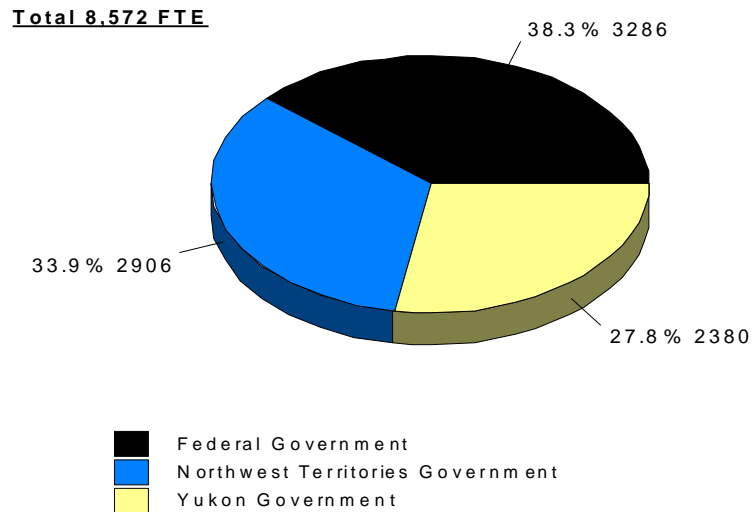
During the five years of data provided, the federal government proportion declined 5.2% through devolution to the territories and program reductions while the GNWT increased its share by 1.4% and the YTG by 3.8%.

Most of the federal decrease in 1996/97 reflected program reductions by a number of departments, including Fisheries and Oceans, Natural Resources, Environment Canada and Public Works and Government Services.

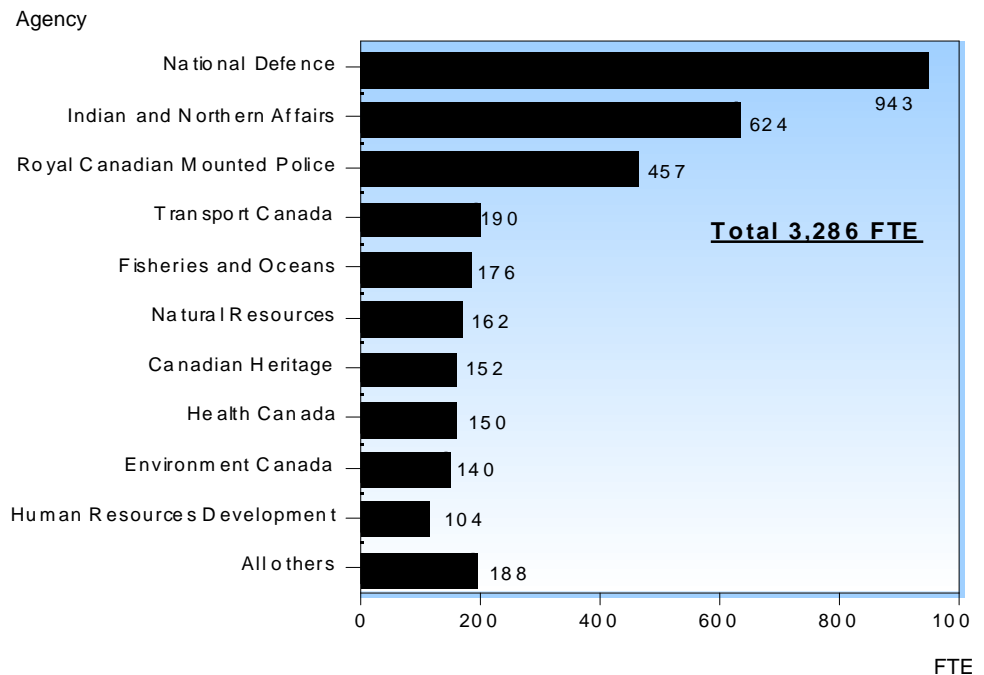
Federal Employment by Agency

As illustrated in Graph 8, National Defence, DIAND and the Royal Canadian Mounted Police (RCMP) were still the largest employers with northern responsibilities in 1996/97.

Graph 7: 1996/97 Employment by Government (full-time equivalents)



Graph 8: 1996/97 Federal Employment by Agency (full-time equivalents)



During the five years of data provided, the major change has been the movement by Fisheries and Oceans from ninth to fifth place following the transfer of the Canadian Coast Guard from Transport Canada in 1995.

Transport Canada also devolved 72 FTEs to the territorial governments as part of the "A" airports devolutions¹ and moved down to the fourth place behind the Royal Canadian Mounted Police.

Table 6: Employment (full-time equivalents) and Percentage Distribution by Agency²

	1992/93 Actual		1993/94 Actual		1994/95 Actual		1995/96 Forecast		1996/97 Planned	
	FTE	%	FTE	%	FTE	%	FTE	%	FTE	%
National Defence	1,173	28.0	982	26.1	1,060	30.4	941	27.7	943	28.7
Indian Affairs and Northern Development	638	15.2	596	15.9	587	16.8	617	18.2	624	19.0
Royal Canadian Mounted Police	430	10.3	449	11.9	444	12.7	446	13.1	457	13.9
Transport Canada	503	12.0	385	10.2	355	10.2	224	6.6	190	5.8
Fisheries and Oceans	131	3.1	125	3.3	119	3.4	186	5.5	176	5.4
Natural Resources Canada	229	5.5	220	5.9	207	5.9	173	5.1	162	4.9
Canadian Heritage	194	4.6	190	5.1	152	4.4	152	4.5	152	4.6
Health Canada	316	7.5	234	6.2	126	3.6	150	4.4	150	4.6
Environment Canada	223	5.3	220	5.9	166	4.8	217	6.4	140	4.3
Human Resource Development	128	3.1	113	3.0	95	2.7	89	2.6	104	3.2
Justice Canada	42	1.0	45	1.2	46	1.3	46	1.4	53	1.6
Public Works and Government Services	47	1.1	43	1.1	50	1.4	52	1.5	46	1.4
Revenue Canada	8	0.2	9	0.2	5	0.1	19	0.6	19	0.6
Canada Mortgage and Housing Corporation	23	0.5	20	0.5	20	0.6	19	0.6	19	0.6
Public Service Commission	74	1.8	94	2.5	30	0.9	36	1.1	17	0.5
National Energy Board	0	0.0	10	0.3	6	0.2	12	0.4	14	0.4
Canadian Polar Commission	6	0.1	6	0.2	6	0.2	6	0.2	7	0.2
Industry Canada	13	0.3	10	0.3	6	0.2	5	0.1	4	0.1
Citizenship and Immigration	4	0.1	3	0.1	3	0.1	3	0.1	4	0.1
National Museums	6	0.1	3	0.1	3	0.1	3	0.1	3	0.1
CDN Environment Assessment Agency	0	0.0	0	0.0	0	0.0	0	0.0	1	0.0
Agriculture and Agri-Food Canada	2	0.0	2	0.1	2	0.1	2	0.1	1	0.0
National Research Council	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Finance Canada	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Federal Judicial Affairs	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Veterans Affairs Canada	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Federal Total	4,191	100.0	3,759	100.0	3,488	100.0	3,398	100.0	3,286	100.0
Federal Government	4,191	43.5	3,759	40.6	3,488	38.7	3,398	37.9	3,286	38.3
Northwest Territories Government	3,128	32.5	3,163	34.2	3,143	34.9	3,208	35.8	2,906	33.9
Yukon Government	2,313	24.0	2,335	25.2	2,381	26.4	2,349	26.2	2,380	27.8
Total Government	9,632	100.0	9,257	100.0	9,012	100.0	8,955	100.0	8,572	100.0

Notes:

1. The devolved FTEs to the YTG were not included in the YTG data because of the timing of the transfer. The adjustment will be made by the YTG for the next publication.
2. Two broad federal government policies had an impact on the reported FTEs in Table 6. The first, a part of the Northern Policy Framework, was the stated objective to devolve provincial-type programs and the second a national policy to reduce government size. The impact of these policies can be found in the above table.

FEDERAL TRANSFERS¹ TO THE TERRITORIAL GOVERNMENTS

Highlights

Total Federal Transfers²

Total planned federal transfers to the territorial governments amounted to \$1,415 million in 1996/97, a decrease of 4.8% from the 1995/96 forecast. These transfers represented 80.7% of the total territorial government expenditures for 1996/97.

Estimated revenues¹ generated by the territorial governments in 1996/97 were \$313.2 million and represented 17.9% of the planned direct territorial expenditures.

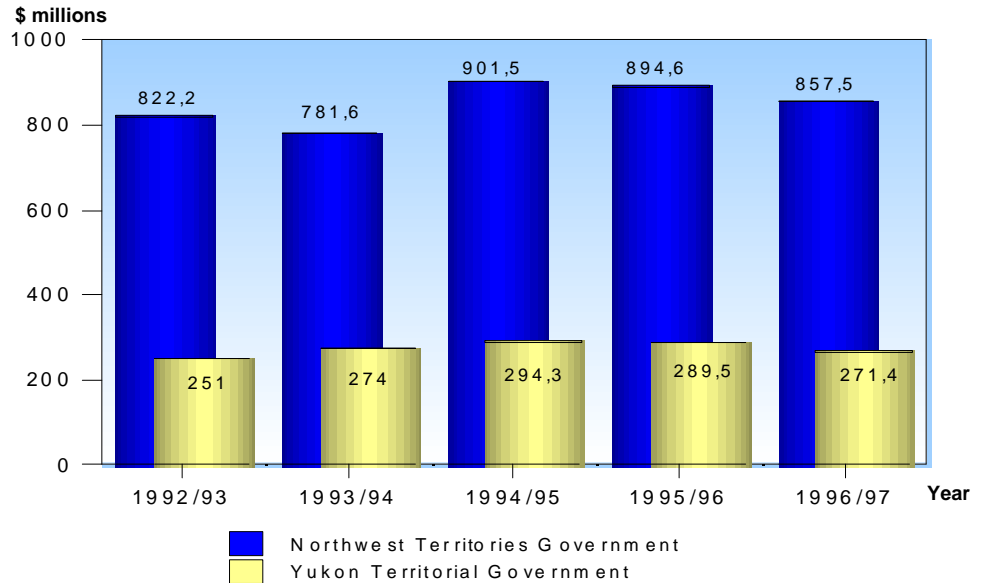
Formula Transfers^{1, 3, 4}

Formula Transfers from the federal government provide the basic funding to operate the territorial governments.

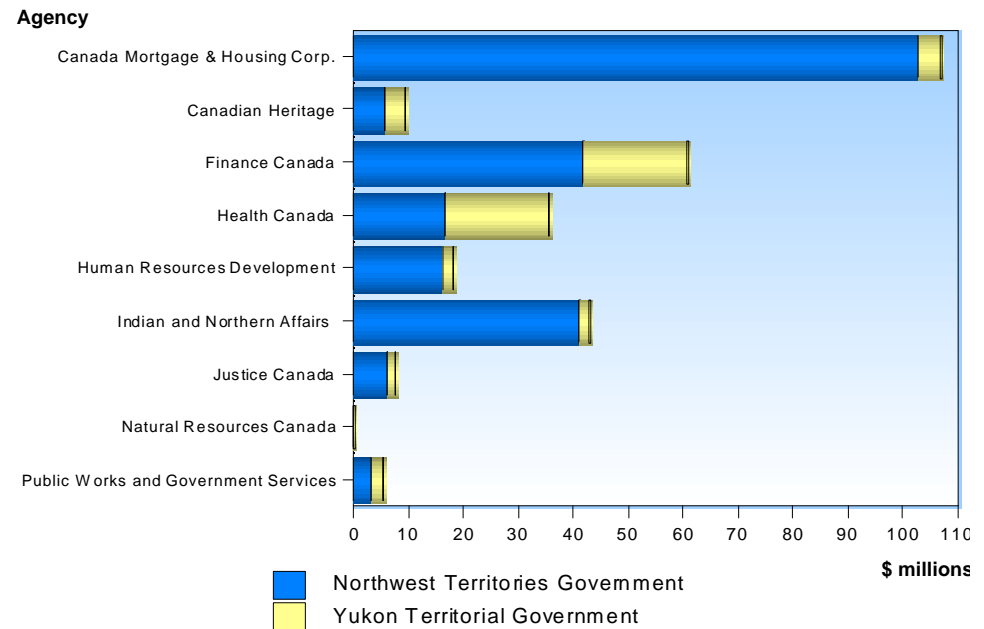
For 1996/97, planned formula transfer grants totaled \$1,128.9 million, an overall reduction of 4.7% from the 1995/96 forecast.

As shown in Graph 9, planned formula transfers to the GNWT were \$857.5 million in 1996/97, 4.1% under the forecast for 1995/96, and represented 66.6% of total planned expenditures in GNWT.

Graph 9: Trend in Federal Formula Funding Grants to Territorial Governments (\$ millions)



Graph 10: 1996/97 Other Federal Transfers to Territorial Governments (\$ millions)



Notes:

1. See Glossary for definitions of "Transfers", "Formula Transfers" and "Estimated Revenues".
2. Total federal transfers = federal formula grants + other federal transfers. See Glossary for a more detailed definition of total transfers.
3. During 1995/96, DIAND transferred responsibility for the Formula Funding Grants to the Department of Finance, thereby reducing DIAND transfers and total northern expenditures.
4. In 1996/97, the expenditures to operate the "A" airports in the N.W.T. were incorporated into the federal Formula Funding Grant.

Planned formula transfers to the YTG were \$271.4 million, a decrease of 6.3% from the 1995/96 forecast and represented 58.2% of the total YTG expenditures for 1996/97.

Other Transfers^{1, 2}

Other transfers to the territorial governments totaled \$286.1 million in 1996/97, a reduction of -5.4% from the 1995/96 forecast. Other transfers to the GNWT have been relatively stable in the \$233 million range

for 1996/97.

Other transfers to the YTG totalled \$52.9 million, a decrease of -23.4% in 1996/97. Most of the federal agencies reduced their transfers to the YTG in 1996/97. Public Works transfers to the YTG were mostly affected by the end of a a four-year Agreement with the YTG for the maintenance of the Alaska Highway (between Watson Lake and Whitehorse).

Table 7: Federal Transfers (\$ thousands) to the Territorial Governments

	Territorial Government	1992/93 Actual	1993/94 Actual	1994/95 Actual	1995/96 Forecast	1996/97 Planned
Formula Transfers:						
Indian Affairs and Northern Development	N.W.T.	822,244	781,608	901,478	n/a	n/a
Finance Canada	Yukon	251,020	273,954	294,317	n/a	n/a
	N.W.T.	n/a	n/a	n/a	894,642	857,500
	Yukon	n/a	n/a	n/a	289,470	271,400
Total Formula Transfers		1,073,264	1,055,562	1,195,795	1,184,112	1,128,900
Other transfers:						
Canada Mortgage & Housing Corp.	N.W.T.	90,174	97,850	107,997	94,397	102,806
	Yukon	3,271	3,102	4,153	4,173	4,068
Canadian Heritage	N.W.T.	10,647	10,102	8,283	6,962	5,913
	Yukon	3,947	3,904	3,874	6,293	3,378
Finance Canada	N.W.T.	108	629	275	527	41,601
	Yukon	471	635	947	168	18,978
Health Canada	N.W.T.	31,301	30,268	31,883	32,223	16,811
	Yukon	12,143	17,640	16,647	23,411	18,587
Human Resources Development	N.W.T.	40,633	44,026	47,333	48,604	16,092
	Yukon	17,884	18,186	17,120	20,016	1,955
Indian Affairs and Northern Development	N.W.T.	52,699	42,533	54,945	39,971	40,864
	Yukon	13,998	3,346	3,623	3,829	2,027
Justice Canada	N.W.T.	7,808	6,464	6,297	6,222	5,978
	Yukon	2,031	2,159	1,861	1,815	1,742
Natural Resources Canada	N.W.T.	127	114	79	70	23
	Yukon	306	279	335	208	0
Public Works and Government Services	N.W.T.	3,951	2,511	2,362	4,345	3,126
	Yukon	3,753	9,405	13,640	9,200	2,141
Total Other Transfers	N.W.T.	237,448	234,497	259,454	233,321	233,214
	Yukon	57,804	58,656	62,200	69,113	52,876
Total Transfers	N.W.T.	1,059,692	1,016,105	1,160,932	1,127,963	1,090,714
	Yukon	308,824	332,610	356,517	358,583	324,276

Notes:

1. See Glossary for a definition of "Other Transfers".

2. Starting in 1996/97, Finance Canada assumed responsibility for the Canada Health and Social Transfer which replaced the Established Programs Financing (EPF) from Health Canada and Human Resources Development. Consequently, other transfers from Finance Canada to the territorial governments increased from \$0.7 million to \$60.6 million, therefore reducing Health Canada and Human Resources Development transfers.

EXPENDITURE BY LOCATION OF RESPONSIBILITY CENTRE^{1,2}

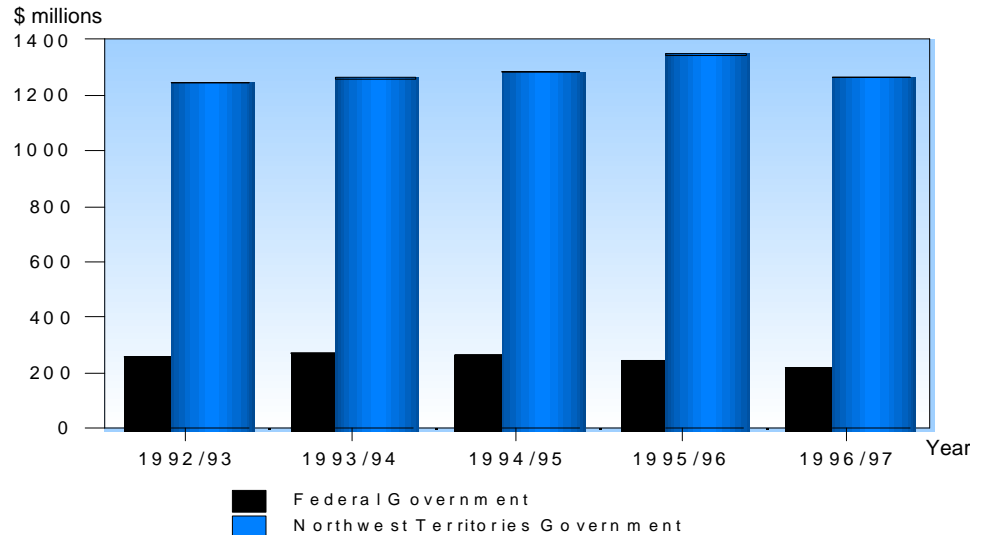
Highlights

Although planned expenditures for 1996/97 have decreased from the previous year, the proportion of total spending in each geographical location from 1995/9 to 1996/97 remained approximately the same. Since 1992/93, however, the amount of spending in Yukon rose by 2.9% while the proportion in Southern Canada declined by 4.1%.

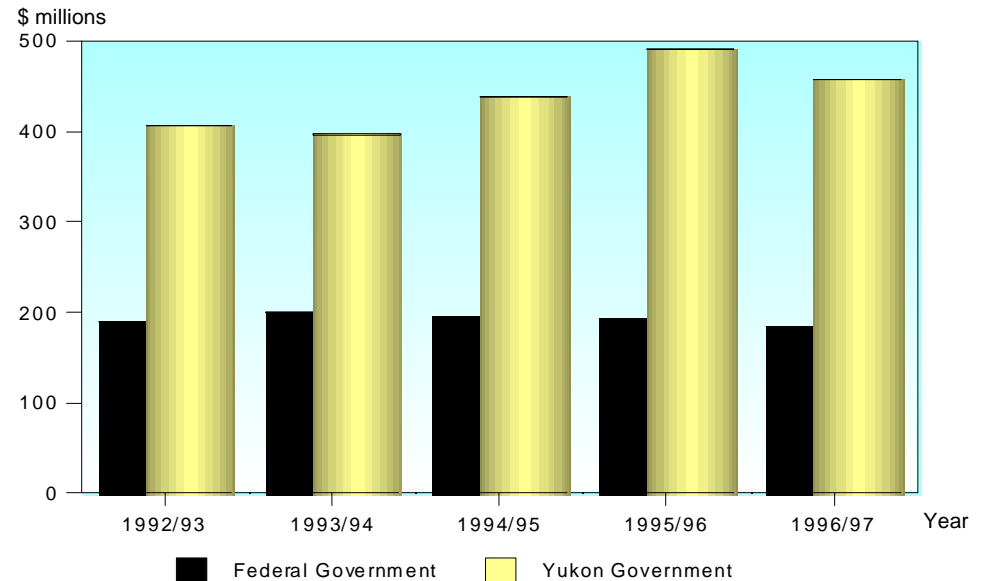
In the N.W.T. (Graph 11), GNWT expenditures increased from 1992/93 to 1995/96 while federal expenditures in the N.W.T. peaked in 1993/94 and then declined for the next three years. Reduced federal expenditures came from the improved economy, reduced Employment Insurance payments and federal program cutbacks. GNWT expenditures decreased by 6.2% in 1996/97 with planned reductions in all functional areas primarily in the General Services function.

In Yukon (Graph 12), the YTG expenditures have increased by 12.2% from 1992/93 to 1996/97. The devolution of federal programs, such as the Alaska Highway and the Whitehorse General Hospital, have played a part in these

Graph 11: Trend in Expenditure by Government in the Northwest Territories (\$ millions)



Graph 12: Trend in Expenditure by Government in Yukon (\$ millions)



Notes:

1. See Glossary for a definition of "Location of Responsibility Centre".
2. The total annual expenditures shown here and in the Expenditure by Object section are higher than those presented in the other sections. This is due to the method used in adjusting for inter-agency sales and purchases to reduce double-counting.

\$

territorial government expenditure increases.

The Health Canada payment for the construction of the new Whitehorse General Hospital, in conjunction with the transfer of responsibilities to the YTG, also had an impact on the YTG increased expenditures in recent years. As in the N.W.T., federal expenditures in Yukon peaked in 1993/94 and then declined the next three years. The improved economy and federal program cutbacks also had an impact on reducing federal expenditures in Yukon.

In Southern Canada (Graph 13), fluctuations in federal expenditures were influenced by a number of factors such as expenditure reductions by National Defence following the completion of the North Warning System, new statutory expenditures of DIAND for land claim settlements, devolutions of federal responsibilities and the program reductions by various departments. Given these factors, the net reduction in northern federal expenditures transacted in southern Canada between 1992/93 and 1996/97 represented -\$77.9 million or 13.7% over the five period.

Graph 13: Trend in Federal Expenditure by Regional Location in Southern Canada (\$ millions)

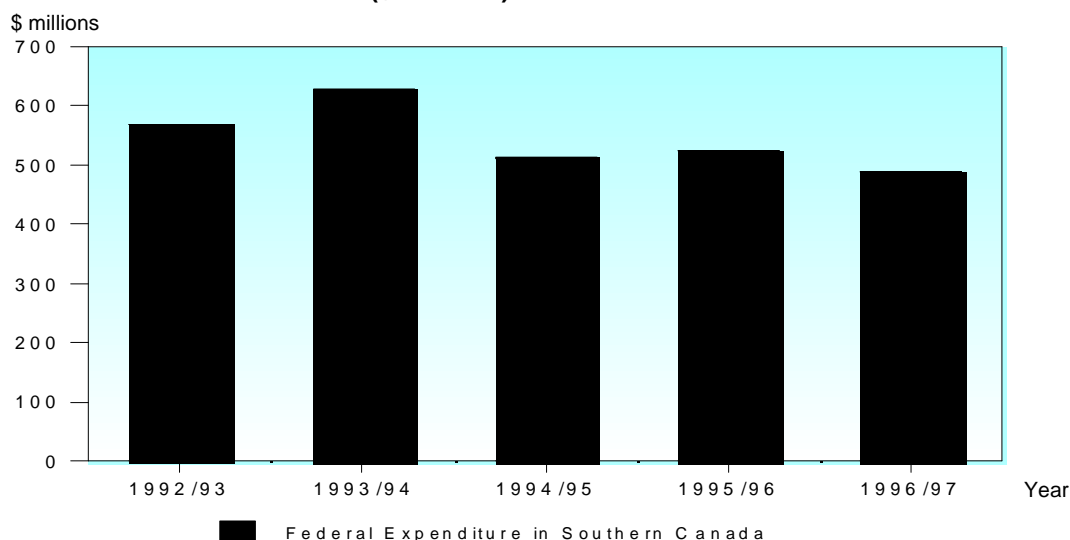


Table 8: Expenditures (\$ millions) by Regional Location of Responsibility Centre

	1992/93 Actual		1993/94 Actual		1994/95 Actual		1995/96 Forecast		1996/97 Planned	
	\$	%	\$	%	\$	%	\$	%	\$	%
Total Government:										
Northwest Territories	1,503.5	55.6	1,534.7	55.6	1,555.2	57.5	1,590.3	56.9	1,481.5	56.7
Yukon	596.0	21.6	597.6	21.6	633.5	23.4	682.5	24.4	639.9	24.5
Southern Canada	567.3	22.8	629.9	22.8	514.3	19.0	524.0	18.7	489.4	18.7
Total	2,666.8	100.0	2,762.2	100.0	2,703.0	100.0	2,796.8	100.0	2,610.8	100.0
Federal Government:										
Northwest Territories	261.5	25.7	270.2	24.6	268.7	27.5	242.7	25.3	218.0	24.5
Yukon	189.3	18.6	199.2	18.1	195.0	19.9	192.3	20.0	183.4	20.6
Southern Canada	567.3	55.7	629.9	57.3	514.3	52.6	524.0	54.6	489.4	54.9
Total	1,018.1	100.0	1,099.3	100.0	978.0	100.0	959.0	100.0	890.9	100.0

EMPLOYMENT BY REGIONAL LOCATION OF RESPONSIBILITY CENTRE

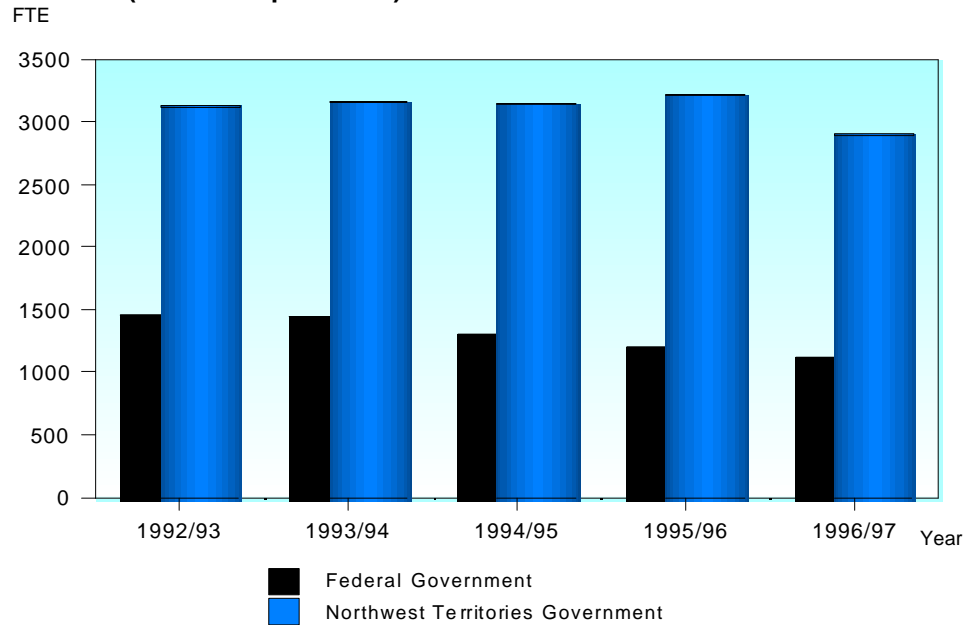
Highlights

In 1996/97, as in previous years, nearly half of the total government employment was in the Northwest Territories, while Yukon and Southern Canada shared the remaining half (38.6% and 14.5% respectively). In 1996/97, total government reductions totaled 383 FTEs, an overall reduction of 4.3% from the 1995/96 forecast.

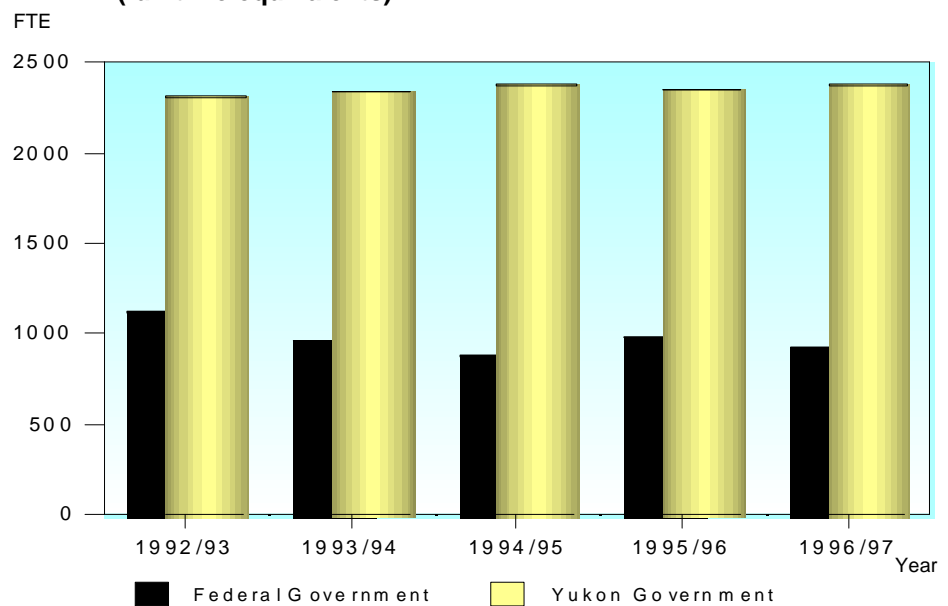
In the N.W.T. (Graph 14), federal and territorial employment decreased by a total of 566 FTEs, or 12.3%, between 1992/93 and 1996/97. Federal government employment in the N.W.T. decreased each year (344 FTEs) due mostly to program reductions, whilew Employment reductions by the GNWT were somewhat slower. In 1996/97, the federal government accounted for only 27.7% of total planned employment in the N.W.T.

In Yukon (Graph 15), overall employment decreased by a net 126 FTEs or 3.7% between 1992/93 and 1996/97. Federal government employment in Yukon decreased by 193 FTEs, 17.2%, over the period with program reductions and devolutions of the Alaska Highway, Whitehorse General Hospital¹, and "A" airports from Transport Canada in 1996/97.

Graph 14: Trend in Employment by Government in the Northwest Territories (full-time equivalents)



Graph 15: Trend in Employment by Government in Yukon (full-time equivalents)



Note:

1. Staff from the Whitehorse General Hospital transfer were not included in the YTG increases as the transferred employees from Health Canada were employed by the Yukon Hospital Corporation rather than the YTG.

The federal expenditures in Yukon accounted for only 28.3% of the total planned government employment in 1996/97. YTG employment increased in each year, except for 1995/96, for a total of 67 FTEs or 2.9% by 1996/97.

Federal employment in Southern Canada (Graph 16) decreased by 368 FTEs or 22.9% since 1992/93. The largest reductions were reported by Transport Canada with a total decrease of 313 FTEs or 62.2% between 1992/93 and 1996/97.

The reductions in Transport Canada are mainly attributable to transfers of the "A" airports to the territorial governments and the Canadian Coast Guard to Fisheries and Oceans. Five other departments (National Defence, Health Canada, Environment Canada, Natural Resources and Public Service Commission) all had reductions in the 20% plus range.

Graph 16: Trend in Federal Employment by Regional Location in Southern Canada (full-time equivalents)

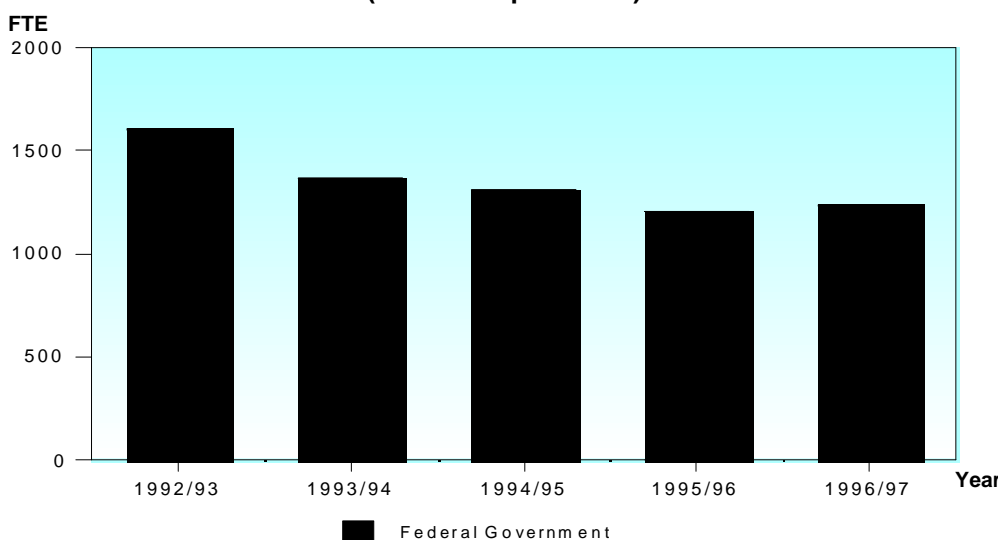


Table 9: Employment (full-time equivalent) and Percentage Distribution by Regional Location

	1992/93 Actual		1993/94 Actual		1994/95 Actual		1995/96 Forecast		1996/97 Planned	
	#	%	#	%	#	%	#	%	#	%
Total Government:										
Northwest Territories	4,585	47.6	4,599	49.7	4,443	49.3	4,415	49.3	4,019	46.9
Yukon	3,437	35.7	3,295	35.6	3,259	36.2	3,331	37.2	3,311	38.6
Southern Canada	1,610	16.7	1,363	14.7	1,310	14.5	1,209	13.5	1,242	14.5
Total	9,632	100.0	9,257	100.0	9,012	100.0	8,955	100.0	8,572	100.0
Federal Government:										
Northwest Territories	1,457	34.8	1,436	38.2	1,300	37.3	1,207	35.5	1,113	33.9
Yukon	1,124	26.8	960	25.5	878	25.2	982	28.9	931	28.3
Southern Canada	1,610	38.4	1,363	36.3	1,310	37.6	1,209	35.6	1,242	37.8
Total	4,191	100.0	3,759	100.0	3,488	100.0	3,398	100.0	3,286	100.0

EXPENDITURE BY FUNCTION¹

Highlights

As illustrated in Graph 17, General Services, linked to the statutory funding approved for settled Aboriginal land claim agreements, has become the largest government expenditure by function.

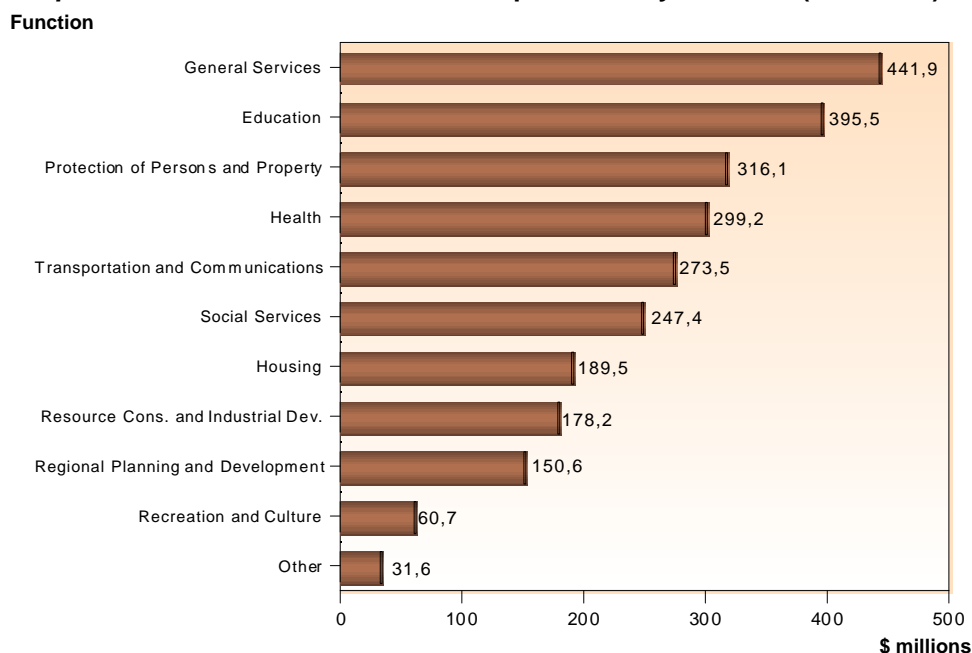
Expenditures on the protection of persons and property function have gone from the second to third highest northern expenditure. Yearly reductions by National Defence since 1992/93 have driven the protection function downward. On a government basis, the federal government, with expenditures of \$203.7 million (64.4% of the total), is the largest contributor to this function.

From 1995/96 to 1996/97, there have been reductions in most of the expenditure functions except in three areas. The increases were in social services, mostly at the federal level; in housing shared among the federal and Yukon governments; and in labour, employment and immigration mostly at the federal level.

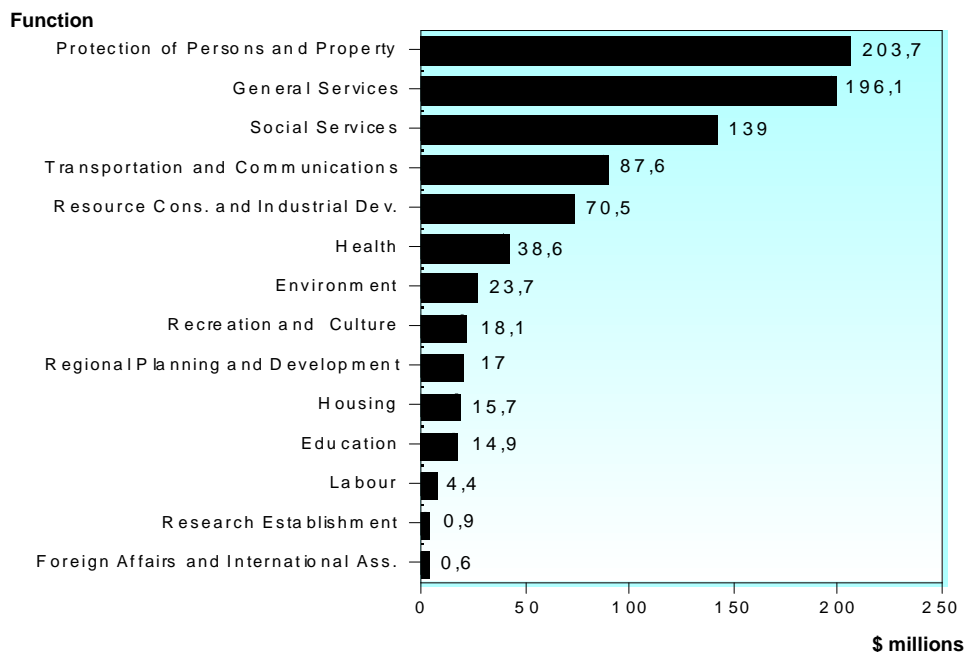
Federal Government

Protection of Persons and Property continued to be the largest federal expenditure by function in 1996/97 (Graph 18).

Graph 17: 1996/97 Total Government Expenditure by Function (\$ millions)



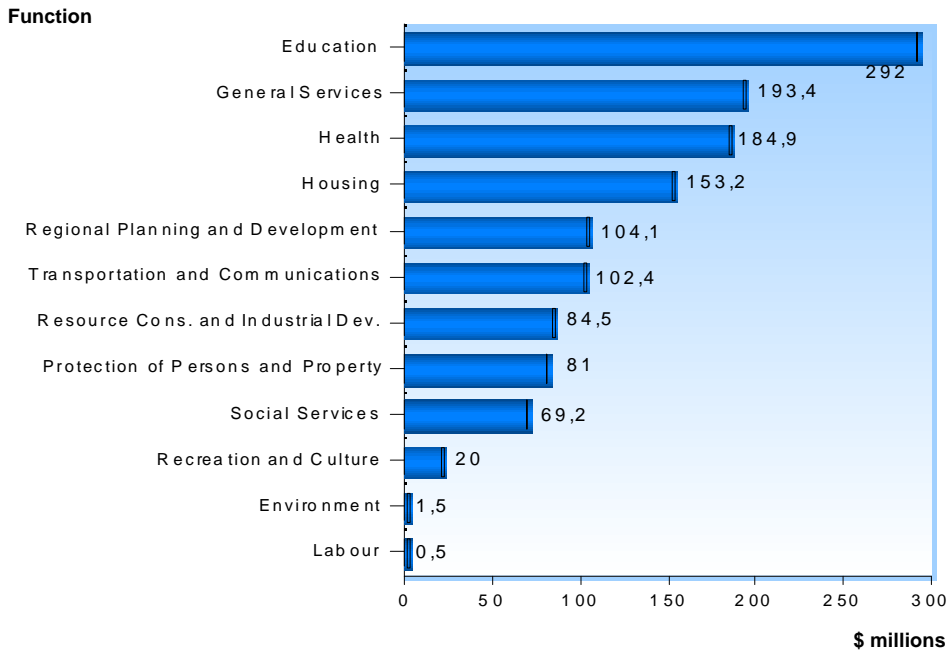
Graph 18: 1996/97 Federal Government Northern Expenditure by Function (\$ millions)



Note:

1. The Statistics Canada System of Government Financial Management Statistics is used to represent the expenditure functions of the federal, provincial and territorial governments (See Appendix 3 for a brief description and examples of this system). Expenditures for 14 of the 18 expenditure functions used in the system were made on the North.

Graph 19: 1996/97 Government of Northwest Territories Expenditure by Function (\$ millions)

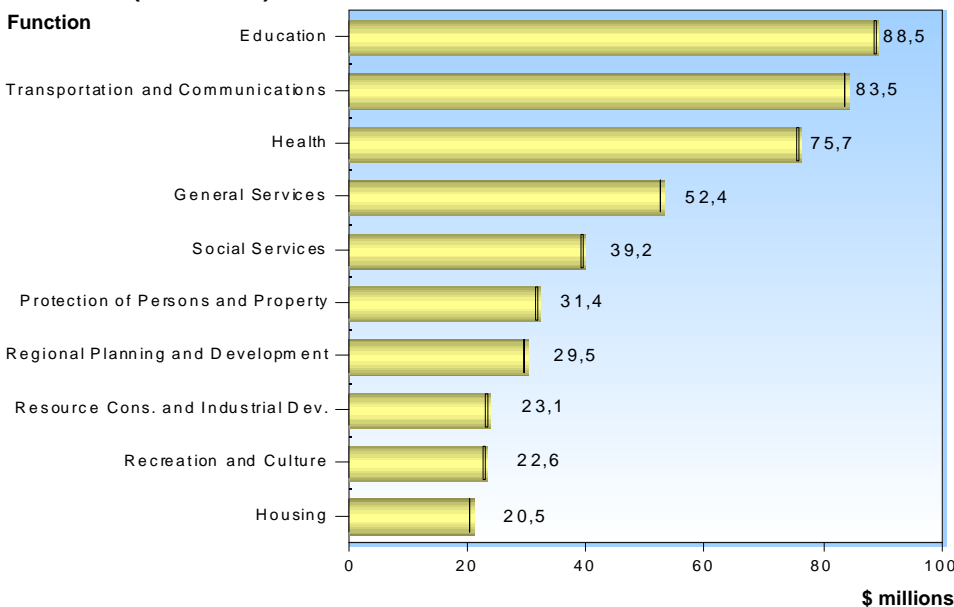


National Defence with expenditures of \$174.4 million, or 85.6% of the federal total, continued to have the largest share.

General Services at \$196.1 million was the second highest federal expenditure by function in 1996/97. Expenditures for the implementation of Aboriginal land claims at \$192.3 million represented 98.1% of the federal expenditures in this function.

Social Services expenditures at \$139.0 million were the third highest federal expenditure by function and represented 56.2% of the total government expenditures.

Graph 20: 1996/97 Government of Yukon Expenditure by Function (\$ millions)



Human Resources Development was the largest federal contributor at \$114.6 million or 82.4% of the federal expenditure in 1996/97. Although the economy has improved over the last years, social services payments have been increasing again since their peak in 1993/94.

Territorial Governments

As shown on Graphs 19 and 20, education expenditures are primarily the responsibility of the territorial governments, and in 1996/97 this amounted to 96.2% of the total federal and territorial expenditures for education. These territorial expenditures have risen each

year except in 1996/97 when a reduction of 3.8% was planned from the 1995/96 forecast.

Transportation is the second largest functional expenditure of the Yukon government at \$83.5 million and the sixth of the GNWT at \$102.4 million. Until the 1990s, transportation was primarily a federal function, but, with the devolution of roads and airports to the territorial governments, it is gradually becoming a territorial function (see Appendix 2).

Health function expenditures are predominantly a territorial responsibility. In 1996/97, health expenditures were the sixth highest total federal expenditure by function at \$38.6 million and the third highest for both territories at \$184.9 million for the GNWT and \$75.7 million for the YTG. Federal health expenditures have risen since 1994/95, largely

because of the capital costs required for the construction of the new Whitehorse General Hospital (part of Whitehorse General Hospital transfer agreement).

Housing is the function which showed the greatest difference in emphasis between the two territories. In 1996/97, GNWT housing expenditures, at \$153.2 million, accounted for 80.9% of the total function. In contrast, Yukon government direct expenditures on housing were \$20.5 million or 10.8% of the total function.

The federal government acting via, Canada Mortgage and Housing Corporation, planned direct expenditures of \$15.7 million on housing and accounted for the remaining 8.3% of the total function.

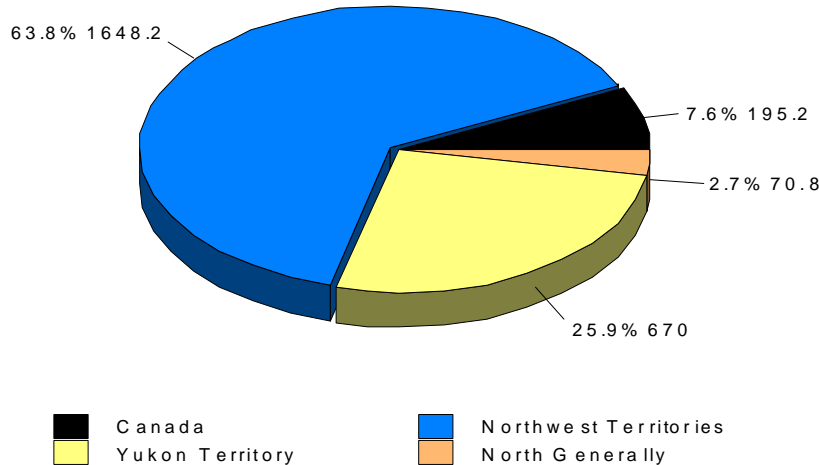
Table 10: Expenditure (\$ millions) and Percentage Distribution by Expenditure Function

Expenditure Function	1992/93 Actual		1993/94 Actual		1994/95 Actual		1995/96 Forecast		1996/97 Planned	
	\$	%	\$	%	\$	%	\$	%	\$	%
General Services	327.1	12.4	482.6	17.7	429.8	16.1	469.8	17.0	441.9	17.1
Protection of Persons and Property	497.1	18.9	447.0	16.3	402.0	15.0	367.4	13.3	316.1	12.2
Transportation and Communications	258.4	9.8	251.6	9.2	272.0	10.2	302.1	10.9	273.5	10.6
Health	295.7	11.2	268.3	9.8	274.7	10.3	305.5	11.0	299.2	11.6
Social Services	254.1	9.7	283.4	10.4	225.4	8.4	242.1	8.7	247.4	9.6
Education	323.5	12.3	333.9	12.2	392.3	14.7	411.2	14.9	395.5	15.3
Resource Conservation & Ind. Dev.	192.0	7.3	202.3	7.4	199.2	7.4	183.1	6.6	178.2	6.9
Environment	45.2	1.7	52.2	1.9	45.4	1.7	41.2	1.5	25.2	1.0
Recreation and Culture	72.6	2.8	74.4	2.7	87.6	3.3	78.2	2.8	60.7	2.4
Labour, Employment and Immigration	10.2	0.4	8.6	0.3	4.5	0.2	4.4	0.2	4.9	0.2
Housing	200.9	7.6	184.2	6.7	180.5	6.7	185.5	6.7	189.5	7.3
Foreign Affairs & International Assis.	0.9	0.0	0.7	0.0	0.2	0.0	0.6	0.0	0.6	0.0
Regional Planning and Development	149.3	5.7	142.5	5.2	160.8	6.0	175.1	6.3	150.6	5.8
Research Establishments	3.2	0.1	2.1	0.1	1.9	0.1	1.0	0.0	0.9	0.0
Total	2,630.2	100.0	2,733.8	100.0	2,676.3	100.0	2,767.1	100.0	2,584.2	100.0

EXPENDITURE BY LOCATION OF PRINCIPAL BENEFIT¹

Graph 21: 1996/97 Total Expenditure by Location of Principal Benefit (\$ millions)

Total 2,584.2 \$ millions



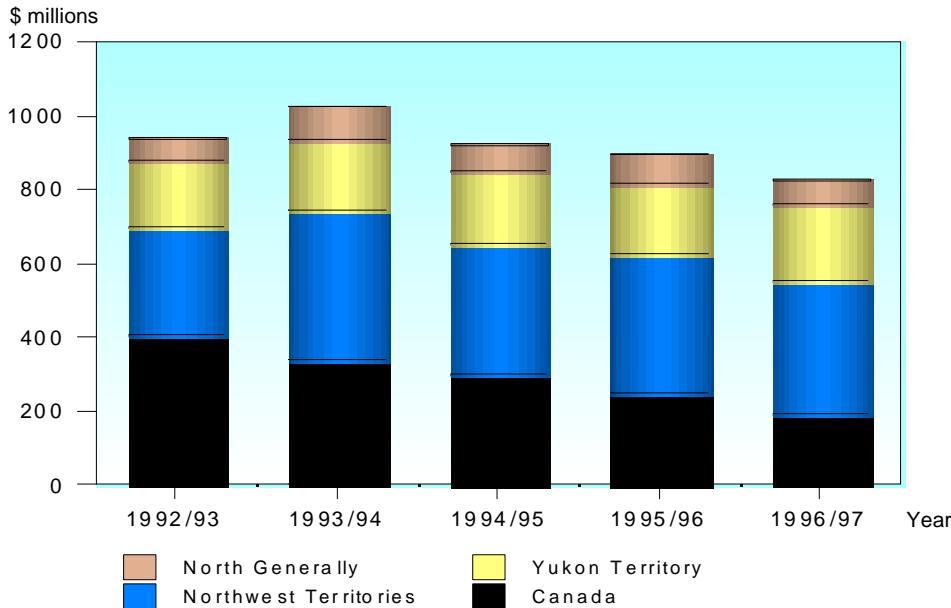
Highlights

The percentage distribution of Northern expenditures by location of principal benefit has remained relatively consistent in 1996/97. During a five-year period, however, changes are more noticeable as the benefit to N.W.T. increased by 4.6% to 63.8%, while the benefit to Canada declined 7.8% to reach 7.6% in 1996/97.

Expenditures for the *Benefit-to-Canada* category have continued to decline from a high of \$405.7 million in 1992/93 to a low of \$195.2 million in 1996/97. The main reasons for this decline have been major reductions by National Defence following the completion of the North Warning System, the transfer of provincial-type programs to territorial governments and program reductions by most federal departments.

The *North Generally* category, containing only federal contributors, had a planned decrease of \$7.8 million or 9.9% in 1996/97. Most of this decrease occurred in Transport Canada with the transfer of the "A" airports to the YTG in 1996.

Graph 22: Trend in Federal Expenditure by Location of Principal Benefit (\$ millions)



Note:

1. The location of the principal benefit of an expenditure is the region (Yukon, N.W.T., North Generally or Canada) which benefits most from the expenditure. See Glossary for a more detailed definition of "Location of Principal Benefit".

Federal expenditures benefiting the Northwest Territories increased dramatically starting in 1993/94 with statutory payments by DIAND to implement the Tungavik Federation of Nunavut Land Claim and the Inuvialuit claim. Since then, expenditures have decreased by 10.5% from 1994/95 to 1996/97 despite payments for the Gwich'in claim, the Sahtu Dene Métis claim and for the Council for Yukon Indians land claim.

If DIAND's expenditures were extracted from federal expenditures for this category, the overall trend of federal expenditures would be downward as most

federal departments and agencies have reduced expenditures during recent years.

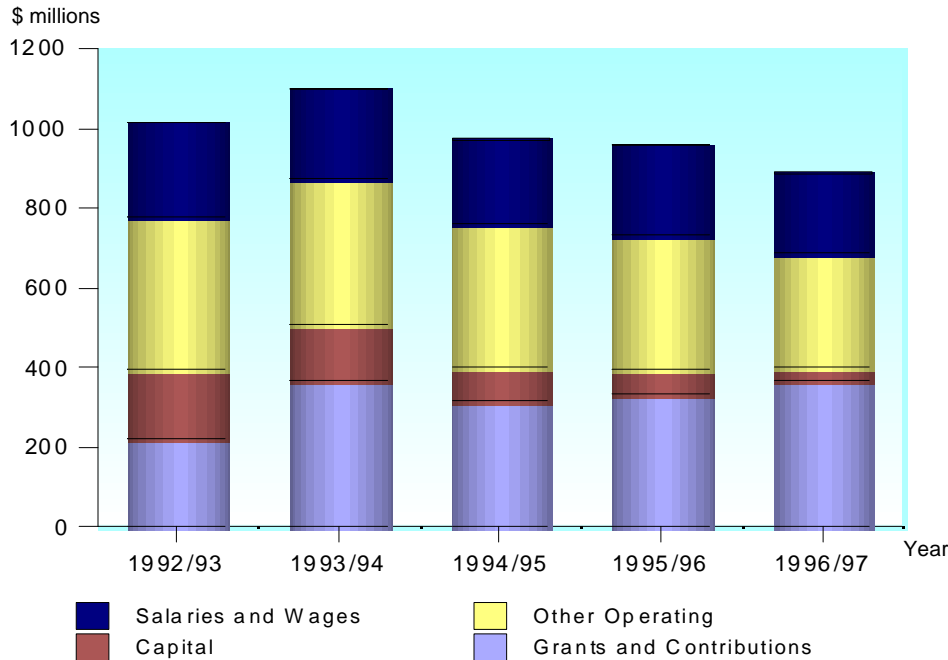
Total federal benefit to Yukon increased by 13.8% from 1992/93 to 1996/97. Expenditures have increased in each year, in part because of the transfers of federal programs such as the Alaska Highway from Public Works and the Whitehorse General Hospital from Health Canada. The 1996/97 benefit to Yukon expenditures may increase again in 1996/97 when the "A" airports, transferred from Transport Canada in 1996, can be included in their budget.

Table 11: Expenditure (\$ million) and Percentage Distribution by Location of Principal Benefit

Total Government Expenditure	1992/93 Actual		1993/94 Actual		1994/95 Actual		1995/96 Forecast		1996/97 Planned	
	\$	%	\$	%	\$	%	\$	%	\$	%
Total Government Expenditures:										
Northwest Territories	1,556.8	59.2	1,687.7	61.7	1,665.9	62.2	1,750.5	63.3	1,648.2	63.8
Yukon	603.3	22.9	617.1	22.6	641.5	24.0	690.4	24.9	670.0	25.9
North Generally	64.3	2.4	86.8	3.2	69.9	2.6	78.6	2.8	70.8	2.7
Canada	405.7	15.4	342.2	12.5	299.0	11.2	247.6	8.9	195.2	7.6
Total	2,630.2	100.0	2,733.8	100.0	2,676.3	100.0	2,767.1	100.0	2,584.2	100.0
Federal Expenditures:										
Northwest Territories	295.3	31.3	403.8	39.4	358.3	38.8	379.7	42.3	361.5	43.5
Yukon	178.8	18.9	192.2	18.7	195.9	21.2	191.3	21.3	203.4	24.5
North Generally	64.3	6.8	86.8	8.5	69.9	7.6	78.6	8.8	70.8	8.5
Canada	405.7	43.0	342.2	33.4	299.0	32.4	247.6	27.6	195.2	23.5
Total	944.1	100.0	1,025.0	100.0	923.1	100.0	897.2	100.0	830.9	100.0

EXPENDITURE BY OBJECT^{1,2}

Graph 23: Federal Government Expenditure Trend by Object (\$ millions)



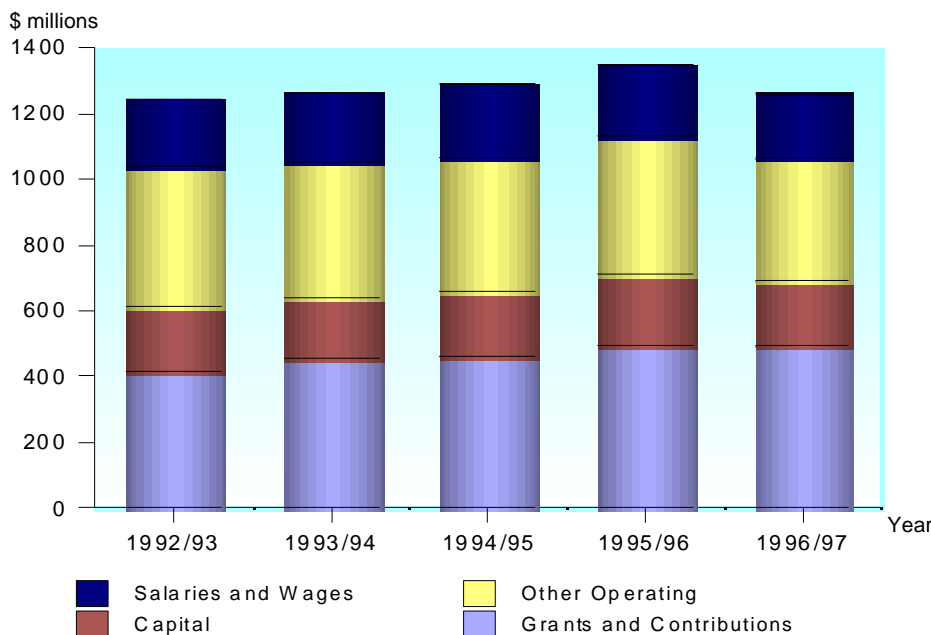
Highlights

Total planned expenditures by object² for 1996/97 were \$2,610.8 million, \$186.0 million or 6.7% less than the 1995/96 forecast. This net decrease included reductions in salaries and wages, and other operating and capital expenditures. Conversely, a substantial increase in grants and contributions began in 1993/94 with the implementation of land claim agreements.

Salaries and Wages

Total government salaries and wages, which were relatively constant in the \$580.0 million range since 1992/93, declined in 1996/97 to \$542.3 million, for a total drop of \$44.2 million or 7.5% during the five year period.

Graph 24: Government of the Northwest Territories Expenditure Trend by Object (\$ millions)



Since 1991/92, each government has exhibited a different trend (Graph 23). The federal government trend has been consistently downward, driven partly by the transfer of federal responsibilities to the territories and partly by program reductions.

Notes:

1. See Glossary for a definition of "Expenditure by Object".
2. Total expenditures by Object and by Location of Responsibility Centre differ slightly from those in the other sections of this report. This is due to the adjustments for interagency sales and purchases to reduce double-counting.

The GNWT trend (Graph 24) has risen but since the 1994/95 increase, two consecutive years with downward movement occurred. In fact, those expenditures have declined by 10.6% since 1994/95. The trend in YTG (Graph 25) is upward primarily because of increases in the number of FTEs in the education and transportation areas.

Other Operating Expenditures

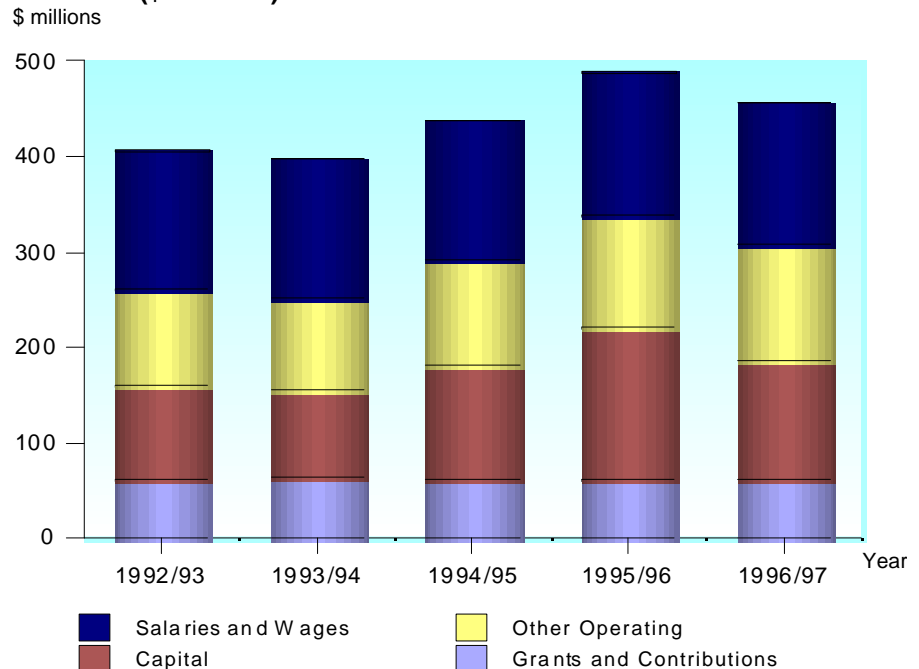
Federal *Other-Operating* costs, have also declined, both in value and as a proportion of expenditures since 1992/93. This reduction of \$92.2 million during five years has been partly achieved through the devolutions of federal programs and program reductions.

The GNWT *Other-Operating* costs have gone down since 1992/93 from \$425.0 million to \$380.1 million in 1996/97, a reduction of \$44.9 million or 10.6%. YTG other operating expenditures have risen steadily since 1993/94 from \$96.3 million to \$122.0 million, an increase of 23.3%.

Capital

Federal capital expenditures in 1996/97 were the smallest expenditure by object at \$34.3 million, a decline of 80.2% since 1992/93 and 41% since 1995/96. National Defence has led the reductions over the years following the completion of the North Warning System.

Graph 25: Government of Yukon Expenditure Trend by Object (\$ millions)



Other reasons for federal reductions in direct capital expenditures are the devolution to the territorial governments of capital-intensive programs such as inter-territorial roads, the Alaska Highway and airports.

In 1996/97, the GNWT and YTG (Graphs 24 and 25) also planned reductions in capital costs of \$21.6 million and \$34.2 million respectively.

Grants and Contributions (G & C)

Total planned grants and contributions for 1996/97 were \$921.8 million, up \$26.0 million or 2.9% over the 1995/96 forecast. Most of the increase is accounted for by the federal government while the

GNWT and the YTG planned a small reduction in expenditures. The federal government increased G&C payments by a net \$29.6 million (Graph 23) with \$14.7 million extended four First Nation final agreements based on the Council for Yukon Indians Umbrella Final Agreement. First Nations benefiting from this G&C payment are the Vuntut, the Champagne and Aishihik, the Teslin Tlingit Council and the Na-cho Ny'ak Dun Land Claims.

During the period of data provided, the GNWT grants and contributions expenditures have increased each year except for 1996/97 (Graph 24). Since 1992/93, GNWT expenditures have increased by \$80.9 million or 19.5%, while YTG expenditures remained relatively stable in the \$60 million range.

Table 12: Expenditure (\$ millions) and Percentage Distribution by Object

Object of Expenditure	1992/93 Actual		1993/94 Actual		1994/95 Actual		1995/96 Forecast		1996/97 Planned	
	\$	%	\$	%	\$	%	\$	%	\$	%
Total Government:										
Salaries and Wages	586.5	22.0	585.3	21.2	579.3	21.4	589.9	21.1	542.3	20.8
Other Operating	907.4	34.0	869.9	31.5	882.7	32.7	878.3	31.4	793.5	30.4
Capital	473.2	17.7	422.1	15.3	393.9	14.6	432.8	15.5	353.2	13.5
Grants and Contributions	699.8	26.2	884.9	32.0	847.1	31.3	895.8	32.0	921.8	35.3
Total	2,666.8	100.0	2,762.2	100.0	2,703.0	100.0	2,796.8	100.0	2,610.8	100.0
Federal:										
Salaries and Wages	237.3	23.3	225.6	20.5	215.5	22.0	223.1	23.3	200.2	22.5
Other Operating	382.7	37.6	365.3	33.2	358.7	36.7	341.4	35.6	290.5	32.6
Capital	173.4	17.0	143.0	13.0	84.5	8.6	58.1	6.1	34.3	3.8
Grants and Contributions	224.7	22.1	365.4	33.2	319.2	32.6	336.3	35.1	365.9	41.1
Total	1,018.1	100.0	1,099.3	100.0	978.0	100.0	959.0	100.0	890.9	100.0
Northwest Territories:										
Salaries and Wages	203.4	16.4	214.3	16.9	217.2	16.9	215.0	16.0	194.1	15.4
Other Operating	425.0	34.2	408.3	32.3	412.5	32.1	419.6	31.1	380.1	30.1
Capital	199.5	16.1	185.7	14.7	191.5	14.9	215.9	16.0	194.3	15.4
Grants and Contributions	414.1	33.3	456.2	36.1	465.3	36.2	497.0	36.9	495.0	39.2
Total	1,242.0	100.0	1,264.6	100.0	1,286.5	100.0	1,347.6	100.0	1,263.5	100.0
Yukon:										
Salaries and Wages	145.7	35.8	145.4	36.5	146.6	33.4	151.8	31.0	148.0	32.4
Other Operating	99.7	24.5	96.3	24.2	111.4	25.4	117.2	23.9	122.9	26.9
Capital	100.4	24.7	93.4	23.4	117.9	26.9	158.8	32.4	124.6	27.3
Grants and Contributions	60.9	15.0	63.2	15.9	62.5	14.3	62.5	12.7	60.9	13.3
Total	406.7	100.0	398.3	100.0	438.5	100.0	490.3	100.0	456.5	100.0

GLOSSARY

AEPS. Arctic Environmental Protection Strategy

AES. Arctic Environmental Strategy

Agency. For the purposes of this report *agency* is most often used as a general term referring to all those federal departments, Crown corporations and the two territorial governments that contribute data to the Annual Northern Expenditure Plan. Federal Crown corporations can also be considered as federal agencies.

ANEP. *The Annual Northern Expenditure Plan* is a summary of federal and territorial government expenditures and employment on or for the North. It includes not only expenditures that take place from offices located in the North but also those expenditures taking place in federal, headquarters or regional offices located in Southern Canada where the expenditure and full-time equivalents are related to services or projects for the North.

DIAND. Department of Indian Affairs and Northern Development.

Direct expenditure. An expenditure made by the contributing agency that delivers the service or product.

Estimated Revenues. The estimated revenues are calculated from the direct territorial expenditures, less total federal transfers less the \$25.0 million for the maintenance of the Shakwak portion of the Alaska Highway which is provided by the United States government via Public Works and Government Services.

Final spending agency. The contributing agency that actually manages the expenditure and delivers the product. When a federal agency transfers the funds to a territorial government to do the work, the territorial government delivers the product and becomes the final spending agency.

FTE. A *full-time equivalent* is the term that has replaced *person-year* as the measure of government employment. It refers to the employment of one person for one full year or the equivalent. For example, one person employed for one full year or three persons employed for four months in one year equals one *full-time equivalent*.

Function. The Statistics Canada System of Government Financial Management Statistics is used to present the expenditure functions of the federal and territorial

governments. For example, some of these functions are education, health, social services, transportation and communication, and general services. A brief description and examples are included in Appendix 3. Expenditures for 14 of the 18 functions used in this system apply to the North.

GNWT. Government of the Northwest Territories.

Government employment. The term government employment refers to government employees in the direct employ of the federal and territorial governments when the FTEs are reported in the Main Estimates of their respective governments. As a result, territorial expenditures for municipal governments, regional or local school boards, health boards or other institutions created by the territorial governments and funded through block funding grants are reported by the territory, but the FTE allotment is not.

Location of Principal Benefit. This classification of spending indicates the geographical area which benefits most from its expenditures. All expenditures by the YTG and GNWT are considered to benefit their respective territory. Federal expenditures are classified as benefiting Yukon or the Northwest Territories, but when this distinction cannot be made with precision, the North-Generally category is used. The fourth category, when Canada is the beneficiary, applies to programs where the prime focus is national in scope. Some examples in this category are National Defence, the Atmospheric Environment Service weather stations and Parks Canada's national parks and historic parks and sites.

Object of Expenditure. This term refers to a financial classification of expenditures into four types: salaries and wages, other operating expenditures, capital, and grants and contributions as follows:

1) Salaries and Wages - These expenditures include the money paid to employees who are employed on northern work.

2) Other Operating Expenditures - These expenditures cover a range of items including: expenditures for travel, supplies, maintenance, rentals and the purchase of professional services. The sales and purchases transactions are normally found in this type of expenditure.

3) Capital - These expenditures include the acquisition of and purchase of equipment, and projects related to new construction and the reconstruction of buildings, roads

or other facilities.

4) Grants and Contributions - These expenditures include payments to individuals or organizations for the purpose of furthering program objectives or, in the case of Aboriginal land claims, a statutory obligation.

Purchases from contributing agencies. Purchases take place between contributing agencies when one agency purchases goods or services from the other. The total purchases are included with the purchasing agency expenditures and, in most tables, the purchasing agency is credited with the final expenditure in order to avoid double-counting. The expenditures by *regional location* and by *object*, however, are reported less purchases. Because more sales than purchases are reported, these two expenditure series are higher than those of the *expenditure by agency*, *expenditure by function* and the *expenditure by principal benefit* series. Ideally, the amounts reported by the selling agency and the purchasing agency would be the same, but limitations in financial systems make a certain amount of double-counting unavoidable.

Regional Location of Responsibility Centre. The term refers to the broad geographical area where the office responsible for the expenditure and associated employment is located. Three regions are used: Yukon and the Northwest Territories for offices located in the North, and Southern Canada for offices located in the south. Although the governments of the Northwest Territories and Yukon have small offices, with approximately four staff, located in Southern Canada (Ottawa), they are too small to be shown separately on the graphs or tables, and are included with the Yukon and Northwest Territories data.

Sales to contributing agencies. Sales take place between contributing agencies when one agency sells goods or services to the other. The total sales are deducted from the selling agency and only the purchasing agency is credited with the final expenditure in order to avoid double-counting. Ideally, the amounts reported by the selling agency and the purchasing agency would be the same, but limitations in financial systems make a certain amount of double-counting unavoidable. Usually more sales than purchases are reported making the expenditures, less sales, somewhat more accurate.

Transfers. Transfers take place when funds are sent from one reporting agency to another in the form of a transfer

payment (grant or contribution) and the receiving agency has the responsibility for delivering the service or product. In most cases, the transfers are from federal departments to the territorial governments and the expenditure is deducted from the federal department making the transfer and allocated to the territorial government administering the final expenditure.

Formula Transfers. These transfers are the substantial funds transferred from the federal government (formerly DIAND, now the Department of Finance) to the territorial governments to enable them to provide a full complement of government services. The amount of the transfer is based on a formula that includes growth in territorial-local expenditures; population growth of the territories relative to national growth; the capacity of the territories to generate their own revenues; and the funds required to operate programs transferred from the federal government.

Other Transfers. These transfers come from various federal agencies and enable the territorial governments to deliver, for example, specified services for education, housing, social services, health care, economic development and employment programs.

Transport Canada - "A", "B" and "C" Airports.

"A" Airports are larger airports with longer runways.

"B" and "C" Airports are community airports with shorter runways.

APPENDIX 1

Status of Comprehensive Claims in the North

The following Aboriginal comprehensive claim settlements have been concluded in the North since the establishment of the federal government's claims policy in 1973:

- The Inuvialuit Final Agreement (effective date July 25, 1984);
- Tungavik Federation of Nunavut Land Claims Agreement (effective date July 9, 1993).

Regional Final Agreements were concluded based on the April 1990 agreement with two of the Dene and Métis regional groups:

- The Gwich'in Comprehensive Land Claim Agreement (effective date December 22, 1992);
- The Sahtu Dene and Métis Agreement (effective date June 23, 1994).

Four Yukon First Nation final agreements (1994) were concluded based on the Council for Yukon Indians Umbrella Final Agreement (1993) and corresponding self-government agreements for:

- The Vuntut Gwich'in First Nation (effective date February 14, 1995);
- The First Nation of Na-cho Ny'a'k Dun (effective date February 14, 1995);
- The Teslin Tlingit Council (effective date February 14, 1995);
- The Champagne and Aishihik First Nations (effective date February 14, 1995).

APPENDIX 2

Completed Transfers to the Territorial Governments since 1986

Yukon

- 1986 Toponymy (DIAND)
- 1987 Northern Canada Power Commission (DIAND)
- 1989 Inland Fisheries (Fisheries and Oceans)
- 1989 Mine Safety (DIAND)
- 1990 Inter-territorial Roads (DIAND)
- 1990 "B" & "C" airports (Transport Canada)
- 1992 Alaska Highway
(Public Works and Government Services)
- 1993 Land Titles Registration (DIAND)
- 1993 Whitehorse General Hospital (Health Canada)
- 1993 Northern Oil and Gas Accord (DIAND)
- 1993 Hospital and Medical Care for Indians and Inuit
(DIAND)
- 1993 Low Income Housing Program for Indians and Inuit
(DIAND)
- 1996 "A" airports (Transport Canada)

Northwest Territories

- 1986 Nursing Stations and Health Service in Baffin
(Health Canada)
- 1986 Toponymy (DIAND)
- 1987 Forestry Management and Fire Suppression (DIAND)
- 1988 Northern Canada Power Commission (DIAND)
- 1988 Health Services-All remaining Health and Hospital Services
(Health Canada)
- 1988 Scientific Resource Centres (DIAND)
- 1990 Inter-territorial Roads (DIAND)
- 1991 "B" and "C" airports (Transport Canada)
- 1993 Land Titles Registration (DIAND)
- 1995 "A" airports (Transport Canada)

APPENDIX 3

Expenditure Function Classification

The ANEP uses the Expenditure Function classification based on the standard categories of the Statistics Canada System of Financial Management Statistics. This classification is used to make the ANEP data more useful and comparable with other government statistical reports.

Eighteen expenditure functions are identified, each of which describes the general nature and type of activity on which expenditures are made. Fourteen of the 18 functions (numbers one to 14) are found within the northern expenditures. General purpose transfers (number 15) do take place, but they only appear in the transfer tables because of the final spending agency principle used in ANEP. All transfers are deducted from federal agency expenditures and reported by the territorial government which actually performs the work. For a summary of transfers, see the section Federal Transfers to the Territorial Governments.

The expenditure functions are described below, along with examples of the types of expenditure which are included in each function.

- (1) **General Services:** This classification includes expenditures for executive, legislative and law enactment functions, administration expenditures such as central accounting, auditing, staffing, tax administration and others such as intergovernmental services, insurance, court litigations and general grants to organizations and individuals which cannot be more specifically allocated. Native land claim expenditures have been included in this category.
- (2) **Protection of Persons and Property:** This classification includes all outlays for services provided to ensure the security of persons and property, including safeguards from external aggression, criminal action, negligence and abuse, and for activities to ensure the orderly transaction of the affairs of the community. Functions such as national defence, policing, firefighting, courts of law, correction and rehabilitation services are included here.
- (3) **Transportation and Communications:** This classification covers outlays for the acquisition, construction, operation and maintenance of transportation and communication facilities and equipment and for related engineering and technical surveys. It includes air, road, rail, water, telecommunications and postal services.
- (4) **Health:** This classification covers expenditures related to the control and prevention of disease, hospital and medical insurance schemes, and the delivery of hospital and medical services.
- (5) **Social Services:** This function covers actions taken by government, either alone or in cooperation with the citizenry, to offset or forestall situations where the well-being of individuals or families is threatened by circumstances beyond their control. It includes services such as social security, Employment Insurance, veterans' benefits, social welfare and other assistance, research, planning and counselling.
- (6) **Education:** This function includes the costs of developing, improving and operating educational systems and the provision of specific educational services. It includes elementary, secondary, post-secondary and special retraining services for the purpose of upgrading skills.
- (7) **Resource Conservation and Industrial Development:** This classification makes no distinction between conservation and development, but rather is subdivided according to types of resources or sectors: agriculture, fish and game, forests, mines, oil and gas, hydro-electric power, water storage and flood control, tourism, trade and industry.
- (8) **Environment:** The following sub-functions have the common aim of ensuring the most favorable environment for people and of minimizing the deleterious environmental effects of modern living: water purification and supply, sewage collection and disposal, garbage collection and disposal, and pollution control.

-
- (9) **Recreation and Culture:** This function includes expenditure on developing, improving and operating leisure facilities and assistance payments to individuals and organizations engaged in promoting leisure activities. It includes sports and recreational facilities, parks and historic sites, museums, art galleries and performing arts.
- (10) **Labour, Employment and Immigration:** This function is related to the development and promotion of labour relations and fair employment conditions, as well as various immigration programs.
- (11) **Housing:** Government expenditures on housing are of two kinds: those arising from the operations of departments and agencies as builders and real estate operators together with ancillary activities and those to assist others to carry out similar activities.
- (12) **Foreign Affairs and International Assistance:** This function provides for expenditures pertaining to the formal relations of Canada with other sovereign states, the fostering of economic development and the improvement of social conditions in foreign lands. Expenditures on trade promotion abroad and cultural exchanges with foreign countries are classified under trade and industry and culture, respectively.
- (13) **Regional Planning and Development:** This function includes expenditures related to planning and zoning, community development, regional economic development, municipal affairs and commissions, and boards and authorities established to plan and promote the development of particular regions.
- (14) **Research Establishments:** This function covers expenditures of major research organizations such as the National Research Council and similar provincial or territorial establishments whose primary purpose is pure or applied scientific research and the promotion of developments resulting from such activities. Also included are grants to individuals and non-government establishments engaged in similar types of research.
- (15) **General Purpose Transfers to Other Levels of Government:** Included are payments under federal-territorial fiscal arrangements and the *Public Utilities Income Tax Transfer Act* and grants-in-lieu of property taxes.
- (16) **Transfers to Own Enterprises:** These include amounts paid to cover the deficits of a government's own enterprises. Subsidies paid to public and private concerns to help achieve certain economic or social objectives are not included here, but are under the expenditure functions to which they are related. Consequently, there were no northern expenditures in this category.
- (17) **Debt Charges:** This classification contains interest paid in respect to all forms of borrowing and other expenditures related to servicing the public debt. There were no northern expenditures allocated to this category.
- (18) **Other:** No expenditures were allocated to this category.

ADDITIONAL SOURCES

Others References

Readers requiring detailed information concerning Northern expenditures should contact:

Mindy Pedersen, Analyst
Corporate Information Management Directorate
Department of Indian Affairs and Northern Development
Room 530, 10 Wellington Street
Ottawa, Ontario, K1A 0H4

Readers interested in additional information on the North are directed to:

Publications and Public Enquiries (Kiosk)
Department of Indian Affairs and Northern Development
Ottawa, Ontario
K1A 0H4
Phone: (819) 997-0380
Facsimile: (819) 997-0380
Internet address: <http://www.inac.gc.ca>
E-mail: InfoPub@inac.gc.ca

Other federal publications with Northern content or themes include:

Canada's North: The Reference Manual

*Indian and Northern Affairs Canada and Canadian Polar Commission: 1998-99 Estimates, Part III: Report on Plans and Priorities**

These can be purchased from:

Canada Communication Group
Publications
Public Works and Government Services Canada
Ottawa, Ontario
K1A 0S9

* DIAND no longer produces a departmental annual report. Much of this information is now included in the *Report on Plans and Priorities*.