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Notes regarding Territorial Formula Financing

1. Formula financing has evolved a long way since the late 1960's when Territorial officials ( led by the Commissioner and Deputy Commissioner) negotiated all funding on a program by program basis with officials of Indian Affairs and Northern Development. Major change commenced in 1975 with the first elected members joining the Territorial Executive. From 1984 onwards, financial negotiations were led by elected ministers, and true formula financing evolved.

2. The question of Territorial "needs" vs. "wants" is an important one. This arises in Federal-Provincial financing discussions and has not been solved in that arena. While the Northern Territories receive major financial support from the Feds, several provinces also depend on Fed. transfers. Territorial governments keep up to date on the level of programs offered in various provinces, and generally feel they have a lot of "catching up" to do. They think their "wants" are truly their "needs". In a very few areas, they may do better than some provinces, but mostly they lag behind, particularly because of underdeveloped infrastructure, such as roads, airports, and housing. The Feds keep a pretty close tab on Territorial programs, so over funding is unlikely.

3. The importance of providing incentives to the Territories to increase or change taxation levels should not be underestimated. At present, if the Territories implement a new tax to fund a new program which they deem necessary, the Feds reduce the transfer of funds accordingly. The Territories must be able to see some direct benefit if new or increased taxation measures are introduced. The system should recognize this and permit the Territories to retain even some small portion of the new taxes rather than completely countering the effect by reducing the financial transfer.

4. The question of resource revenues is another matter of incentives and movement toward normal provincial practices. Currently, the Feds collect mining royalties and no portion of that money forms part of Territorial financing negotiations. ( I think that there has been some movement in this area in Yukon, but I am not up to date) The Feds should provide some share of the royalties to the Territories, even if it is a small percentage, over and above the regular financial grant. This is important for two reasons. Many Territorial residents see few direct benefits of mining, oil and gas developments, which, in the view of some people intrude on their life style. A share of royalties would positively affect this perception. Secondly, this would represent a step toward normal provincial practice. While provincehood may be a long way off, movement in that direction will strengthen political change and development.

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