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The Honourable Tony Whitford, Speaker

Legislative Assembly of the Northwest Territories

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YELLOWKNIFE, NORTHWEST TERRITORIES

Thursday, February 13, 2003

Members Present

Honourable Roger Allen, Honourable Jim Antoine, Mr. Bell, Mr. Braden, Mr. Delorey, Mr. Dent, Mrs. Groenewegen, Honourable Joe Handley, Honourable Stephen Kakfwi, Mr. Krutko, Mr. Lafferty, Ms. Lee, Mr. McLeod, Honourable Michael Miltenberger, Mr. Nitah, Honourable Jake Ootes, Mr. Roland, Honourable Vince Steen, Honourable Tony Whitford

ITEM 1: PRAYER

-- Prayer

SPEAKER (Hon. Tony Whitford): Thank you. Good afternoon, colleagues. Item 2, Budget Address. I will call on the honourable Member for Weledeh, Minister of Finance, to deliver the Budget Address. Mr. Handley.

ITEM 2: BUDGET ADDRESS

HON. JOE HANDLEY: Thank you, Monsieur President.

---Laughter

Mr. Speaker, a lot of people have asked me the last couple of days what I was wearing on my feet for shoes this year. As you know, I am wearing moccasins. I am also wearing a sash out of respect for my Metis culture and the Metis culture of a lot of people in the Territories and, of course, the suit that represents everybody across Canada. The moccasins, as Mr. Speaker knows, I borrowed from him.

---Laughter

In fact, one of them even has holes in it.

---Laughter

I borrowed the moccasins as symbolic of our need as a government to work together, be efficient and make use of all our resources and services.

Introduction

Mr. Speaker, three years ago I presented the first budget of the 14th Legislative Assembly. I spoke then of the optimism and excitement felt in the Northwest Territories as we stood on the brink of tremendous new developments. In Towards a Better Tomorrow, Members of the 14th Assembly laid out a vision for a strong, vibrant economy in the Northwest Territories and self-reliant, healthy, well-educated individuals, families and communities doing their part in improving the quality of their lives.

That first budget laid out two key strategies to help us achieve our goals -- building partnerships with other governments and making key investments in our people, our infrastructure and our future.

This is the last budget of the 14th Assembly. This Assembly can look back at solid achievements. We can look back at the considerable progress we have made toward realizing our vision.

Our strategies have not changed. The decisions we make now in this Assembly, and our ability to work together with our northern partners will determine whether the economic growth

we are experiencing means a bright future for all Northwest Territories residents or squandered opportunities and unsustainable development.

One of the most important decisions is how we balance the many demands placed on the government's fiscal resources. This government has adopted a strategy of prudent spending on critical investments, even though this meant the possibility of running deficits. We have been fortunate to benefit from some large one-time revenues in 2000-2001 and 2001-2002. However, these one-time revenues have not addressed our underlying fiscal problem. The needs created by the expanding economy are causing our expenditures to grow faster than our revenues. This fundamental issue must be addressed if we are to achieve our vision.

As our Premier, the Honourable Stephen Kakfwi, stated in his address to the people of the Northwest Territories in January, the next few years will be pivotal. Our decisions will have profound implications for our future. We must work together if we are to succeed in the vital tasks ahead.

We need to take stock as the 14th Assembly. What have we achieved? What can be achieved in our remaining term? And what can we do to set the groundwork to allow the 15th Assembly to meet the challenges, especially the fiscal challenges, which it will face?

Taking Stock**The Economy**

Mr. Speaker, our economy is booming. Our real gross domestic product (GDP), the measure of the size of our economy, grew by 19 percent in 2001. Although we are forecasting economic growth to slow to 1.4 and one percent respectively in 2002 and 2003, we expect exports, in particular diamond exports, to start growing more rapidly by the end of 2004. The current levelling off in the economy simply reflects the fact that construction of the Northwest Territories' second diamond mine is now completed and therefore the value of business investment will drop. The proof of a healthy, strong Northwest Territories economy lies in the fact that real GDP is not expected to decline following the completion of this \$1.3 billion construction project, but will continue to grow.

We see examples of the economic boom throughout the Northwest Territories. Natural gas activity in the Fort Liard region is busier than it has been for the last two years. While exploration activity has slowed temporarily in the Mackenzie Delta, industry analysts suggest that the slowdown is due to oil and gas companies postponing exploration activity until there is a way to move their product to southern markets. It is anticipated that the Mackenzie Valley pipeline will be built in the near future, and to that end, the Mackenzie Valley

Producers Group is continuing work on the project definition phase of the project.

Housing construction is booming in some communities. This residential construction is not expected to slow down anytime soon. Further proof of a strong economy is the fact that the Northwest Territories' overall average employment rate was 71 percent in 2002, once again the highest in Canada. The 2002 average Northwest Territories unemployment rate was 6.5 percent, the fourth lowest of all the provinces and territories. Consumer spending continues to grow. Retail trade was 17 percent higher in the first nine months of 2002 than the same period the year before. Preliminary information shows that tourism has increased significantly over 2001, bringing millions of dollars into the Northwest Territories. Our tourism industry is poised for growth -- growth that will be fuelled by a combination of entrepreneurship and the natural wonders of the Northwest Territories.

Overall, resource development, in particular diamond mining and natural gas activity, and tourism is keeping the economy booming. We expect our economy to continue to be strong and our economic future to be bright.

Mr. Speaker, the 14th Assembly will leave in place a strong foundation, one that includes a strong economy on which we can base continued improvements in the quality of life for all Northwest Territories residents. We have built this foundation by balancing our economic, environmental, social, political, and cultural priorities. In doing so, by 2003-2004, we will be investing an additional \$150 million in on-going spending in social and community programs and \$22 million in on-going economic development initiatives, compared with when we took office.

Building on Economic Opportunities

The foundation we are building includes a strong economic base in every region of the Northwest Territories. We have undertaken an interlocking set of initiatives to provide for responsible economic development that respects the environment, that meets the needs of northern residents, and that ensures Northerners can benefit from development. At the start of the 14th Assembly, the Economic Strategy Panel released its report, Common Ground. The recommendations in this report continue to guide us. In the same year, we released the Non-Renewable Resource Development Strategy, which complements the work in Common Ground and is a major building block of our vision.

We have made investments in building business capacity in aboriginal organizations, in environmental assessment, and in preparing for natural gas and pipeline development. We have created a Protected Areas Strategy, have drafted an energy discussion paper, and have participated in environmental and socio-economic programs with the diamond mining companies. All of these initiatives were taken to ensure responsible non-renewable resource development.

With our regional aboriginal partners we have also begun discussions and further research into the hydroelectric potential of our Northwest Territories river systems. Hydroelectricity can provide a more environmentally friendly source of energy for Northwest Territories communities, mines, pipeline compressor stations and for export. However, much research needs to be done to determine if our hydroelectric resources can be developed in a manner that is both cost effective and environmentally acceptable.

We have invested over \$60 million in highway construction and resurfacing activities to date as part of our transportation strategy. We have made, and will continue to make, investments in other capital infrastructure necessary for continued resource development.

We have lowered corporate income taxes to encourage investment in the Northwest Territories.

Investing in our People

Our investments in economic development matter because they will improve the quality of life for Northerners. Increased employment opportunities have lessened dependence on social assistance. Social assistance payments continue to fall, and have done so consistently since 1999. In fact, last year we were able to re-invest \$1.5 million in savings from this program in enhanced program benefits.

We changed the personal income tax system from "tax on tax" to "tax on taxable income." This change gave us the flexibility to increase individual tax credits, which we did in 2002. In 2001, we increased the cost of living tax credit and in 2002, introduced a minimum credit to provide financial relief to low income Northerners. We were also able to provide tax relief for seniors and the disabled by increasing the age and disabled tax credits. These initiatives have provided \$10 million in ongoing tax relief to Northwest Territories residents and helped us remain competitive with provincial tax regimes.

We initiated the development of the Social Agenda and have responded positively to all ten of the recommendations produced in the agenda's blueprint, Social Agenda: A Draft for the People of the NWT. We have demonstrated our commitment to the principles of tolerance, dignity and respect by enacting the NWT Human Rights Act last October.

Mr. Speaker, we responded to the health care needs of our residents. We increased our annual investment in health care by \$40 million between 1999-2000 and 2002-2003. Last December, the Honourable Michael Miltenberger, Minister of Health and Social Services announced a further investment of \$8.3 million in the health and social services system, funding that will be used to create 42 new nursing and physician positions.

We have increased spending on education by over \$46 million from 1999-2000 to 2002-2003, allowing us to reduce the pupil-teacher ratio, to enhance other programs, and to undertake critical initiatives in early childhood development programs and the NWT Literacy Strategy.

The Maximizing Northern Employment program was introduced in the fall of 2001. Since then, \$15 million has been invested under this program so that Northerners have the training they need to take advantage of the job opportunities. This program has been successful. For example, 40 of the 47 graduates placed under the Northern Graduate Intern Program and 75 percent of the graduates participating in the Northern Graduate Transition Program are still working in the Northwest Territories today.

Building Strong Partnerships

Together with our aboriginal partners, we have made substantial progress toward a political and constitutional system that meets the needs of all Northwest Territories residents and that recognizes the inherent right to self-government. To this end, we support the Intergovernmental

Forum process. Over the last two years, we have provided \$1.8 million to the Aboriginal Summit to participate in this process, and this commitment will be renewed in this budget for another \$1.2 million.

We have signed and reached new milestones in negotiating lands, resources and self-government agreements. The Tlicho Land Claim and Self-Government Agreement was initialled and released to the public for review and comment in 2002. Shortly after, the Deh Cho and Akaitcho First Nations successfully concluded boundary and overlap agreements with the Dogrib Treaty 11 Council. The Tlicho hope to sign a final agreement in August 2003. With the pending resolution of boundary and overlap issues, the Akaitcho table has begun negotiations toward an agreement-in-principle.

The Deh Cho First Nations are close to an agreement with the Government of Canada on interim land withdrawals and an interim resource development agreement. Concluding these agreements will shift the focus of negotiations to an agreement-in-principle. Finally, the Northwest Territories Metis Nation, and representatives of the federal and territorial governments signed an interim measures agreement last summer. Negotiations on an agreement-in-principle are moving ahead.

We have also seen significant progress at other self-government tables. The Gwich'in Tribal Council, Inuvialuit Regional Corporation and the federal and territorial governments approved the signing of a Beaufort-Delta self-government agreement-in-principle, and negotiations towards a final agreement are underway. We expect the negotiators at the Deline table will soon seek approval to initial an agreement-in-principle on self-government.

We are also working to foster more government-to-government partnerships. Last month, the Honourable Jim Antoine, Minister of Resources, Wildlife and Economic Development, signed an agreement with the Gwich'in Tribal Council to set a target of awarding, over the next five years, 50 percent of the value of government contracts within the Gwich'in settlement area to Gwich'in businesses. This agreement reinforces our commitment to work in partnership with other governments and is an important step in building northern aboriginal business capacity.

Strengthening Our Culture

Mr. Speaker, the Northwest Territories' cultural diversity and vitality is part of our strength. Culture, heritage, and language help define our identity. We have supported and celebrated our traditions, our diverse cultures, our languages and people. Starting last year, we have been investing an additional \$900,000 per year to preserve aboriginal languages, bringing our total annual support to almost \$8 million. We are the first and only Canadian jurisdiction to declare National Aboriginal Day a statutory holiday.

Addressing Fiscal Challenges

Mr. Speaker, these investments have laid the foundation on which the 15th Assembly can continue to build. Our government was facing large deficits when we took office. Despite this, we have made significant investments in our people and in our economy, without leaving our fiscal position worse than we found it. In fact, the next government will be better off because of the achievements of the 14th Assembly. The new government will not be encumbered by the need to replace huge capital assets such as the hospital in Inuvik and the North

Slave Correctional Facility. Since our last budget, we have achieved settlements relating to equal pay complaints and student abuse claims. These settlements, in addition to responding to residents and employees in a respectful way, have freed future governments from this financial burden. Pressures to deal with urgent senior housing issues have been lessened with the construction of 64 new senior housing units throughout the Northwest Territories. And, as of last summer, only 50 kilometres of Highway 3 remain to be rebuilt.

Fiscal Review And Outlook

Mr. Speaker, it is with considerable frustration that I report that the Northwest Territories' amazing economic growth is not reflected in the finances of this Government. Expenditures are increasing faster than revenues and our fiscal resources are not sufficient to make all the investments in people and in infrastructure that Members have identified as necessary to support our vision.

2001-2002 Year End Results

Last year at this time, we were enjoying the benefit of the receipt of a large one-time corporate income tax payment and were in a healthy short-term fiscal position. We finished the 2001-2002 fiscal year with an operating surplus of \$120 million.

This surplus will be used to fund the operating deficit expected for the current fiscal year, 2002-2003.

2002-2003 Update

Last February, I forecast an operating deficit of \$12 million for 2002-2003. However, significantly declining revenues, combined with an increase in forecast expenditures, have caused us to revise our estimated operating deficit for the current fiscal year to \$106 million.

Revenues have declined \$82 million from last year's budget forecast. Both lower than expected population growth and higher than expected provincial-local government tax effort lowered the forecast grant from Canada under the formula financing agreement.

2003-2004 Outlook

The coming fiscal year, 2003-2004, will continue to see revenue forecasts that are below our expected spending needs. Revenues are forecast to be \$854 million, a 10 percent increase above this year's levels.

Expenditures are forecast to increase 5.7 percent to \$931 million, producing an estimated operating deficit of \$77 million. In addition, our investment in capital will total \$74 million, down from \$143 million last year. Together, our operating and capital needs will result in an expected year-end cash deficit of \$85 million, which will bring our total debt at March 31, 2004, including that of the NWT Power Corporation and the NWT Housing Corporation, to \$214 million, well within our \$300 million federally-imposed borrowing limit. However, our available borrowing room will be limited to \$86 million.

Our revenue forecasts are very sensitive to the factors used to calculate the grant, in particular population estimates. As Members are aware, we believe the 2001 census resulted in a significant undercount of our population. Statistics Canada is conducting under coverage studies and will release final adjusted numbers this September. These numbers will be used to calculate our grant entitlement. The 2003-2004 revenue forecast reflects our estimate of these final census figures. The

NWT Bureau of Statistics conducted our own population survey last fall. Preliminary results suggest that our population estimate is in line with reality. However, if the final official undercount differs by one percentage point from our estimate, the adjustments to the grant will change our revenues over the next three years by about \$50 million.

The grant is also sensitive to the measure of the government's revenue raising effort relative to that of the provinces. We saw a large increase in the tax effort factor in 2002, which caused the grant to drop. The large value of our tax revenues, compared to historical levels, has caused the swings due to changes in tax effort to become more significant. Our forecast of revenues could change significantly if this factor changes.

Medium-Term Outlook

Mr. Speaker, assuming our revenue forecasts hold up, and assuming no other action to change things over the next two years, the projected deficit for 2004-2005 would be \$85 million. Clearly, our revenues are not sufficient to maintain the current level of spending. Last year's budget predicted that by 2004-2005 our borrowing would be close to the \$300 million limit. Current forecasts suggest that the government could exceed the borrowing limit by \$70 million at the end of 2004-2005. We recognize that this outlook calls for a response to reduce the projected deficit through expenditure control and through some targeted revenue measures. However, we must be clear. Ultimately, our government's fiscal health depends on federal investment and on equitable resource revenue sharing.

Fiscal Strategy

Despite the fiscal situation, we are not abandoning our overall fiscal strategy. We will balance revenue capacity with spending needs and still continue to make the investments necessary to advance our economic and social goals. We are basing this commitment on two key assumptions: first, that economic development will continue and second, that northern governments will achieve devolution of jurisdiction over our non-renewable resources, along with an equitable revenue sharing arrangement.

We are not using these assumptions to postpone managing what is clearly an unsustainable fiscal situation. However, the window of opportunity to develop our economy is open now. We are not going to close this window with a knee-jerk reaction to our fiscal situation. We need to invest. Resource development is accelerating, not slowing down. Northwest Territories residents urgently need more education and training to benefit from these economic opportunities. Our ability to recruit and retain staff will become more difficult as southern economies remain strong and national shortages in many professional occupations worsen.

The solution to our fiscal situation will require careful, well-considered moves that do not jeopardize the long-term goals or well-being of Northerners. We intend to balance the budget over time and stay aware of our borrowing limits while at the same time maintaining necessary investments.

We are taking some revenue and expenditure measures that will help with the short-term fiscal situation. For the longer-term, it is critical that we look at revenue issues. Given that the lion's share of the fiscal benefits of resource development goes to the federal government, we are discouraged by the reluctance of the federal government to meet its responsibility to participate more fully in the development of the Northwest

Territories. We are disappointed in the lack of a federal response to opportunities in the Northwest Territories that would benefit all of Canada. For example, the government's proposal, Corridors for Canada, called for a strategic \$133 million investment from the federal Strategic Infrastructure Fund for Northwest Territories' transportation corridors. Despite being told that our proposal was the best one submitted by any provincial or territorial government, we received a commitment from the federal government of only \$20 million.

Our difficulty in addressing our infrastructure needs is threatening the Northwest Territories' capacity to prepare for development. Federal involvement is crucial to many large-scale developments and federal support is especially critical if the building of the Mackenzie Valley pipeline is to benefit Northerners.

Federal government partnership and investment is not happening in as timely or complete a manner as the situation demands. Without it, many opportunities will be lost.

Equally important, our current fiscal arrangements with the federal government, in particular the formula financing agreement, are not appropriate in this era of rapid economic development. Why? Because they do not address the financial stress placed on the government by the demands of the booming resource economy. We are addressing the issues concerning our fiscal arrangements with Finance Canada at all levels. We have also made it clear that the federal government will lose many opportunities to benefit from resource development in the Northwest Territories if it continues to insist that all three territories be treated exactly the same. Clearly, each territory has different needs and economic development opportunities that demand Canada tailor fiscal arrangements in recognition of these differences.

I am very pleased to note that the Aboriginal Summit and the Government of the Northwest Territories have begun negotiations with the federal government for the transfer and devolution of provincial-like authorities and responsibilities for the Northwest Territories' lands and resources. If successful, these negotiations will bring control of Northwest Territories' resources to the people of the Northwest Territories. This includes the transfer of resource revenues, which are critical for the Northwest Territories to become less dependent on Canada for funding our programs and services. Devolution will mean that Northwest Territories residents are able to make the important decisions affecting the development of Northwest Territories resources.

Devolution will not solve all the fiscal problems the Government of the Northwest Territories now faces, and will face, especially as we move forward with the negotiation of new governance arrangements. However, devolution will provide us with important new tools and responsibilities that will allow us to make decisions about the use and development of our natural resources. This will be an important step towards self-reliance and our goal of the Northwest Territories becoming an eventual "have" territory.

Our expenditure needs are also increasing in areas not directly related to the economy, in particular health care. Our health care expenditures have increased an average of \$14 million per year since 1999-2000. For that reason, we were encouraged by the recommendations for increased federal involvement in health care funding made by the Romanow Commission. We were particularly encouraged by the mention

in the Commission's report about problems with per capita funding for jurisdictions with small populations. The Northwest Territories, along with Nunavut and Yukon, has the highest per capita health care delivery costs in Canada. Providing health care to 33 small isolated communities spread across vast distances is very expensive. This fact is not reflected in the Canada Health and Social Transfer, or CHST.

Mr. Speaker, last week Premier Kakfwi met with his federal, provincial and territorial counterparts to discuss improvements to the Canadian health care system. The Prime Minister offered the provinces and territories a total of \$12 billion more over the next three years, under the CHST, as the federal contribution to increasing health care costs.

This money would be distributed to provinces and territories on a per capita basis, and would provide the Northwest Territories with an average of only \$5.2 million a year over the next three years, or about one-and-one-half weeks of our annual health and social services budget. This amount is clearly inadequate to deal with the health needs of the Northwest Territories, and Premier Kakfwi, along with his colleagues from Yukon and Nunavut, has not accepted it.

The provincial Premiers agreed that per capita formulas do not work in the North and indicated their support for a health care fund for the North. The Prime Minister also acknowledged this in the House of Commons last week and I quote: "Of course, the per capita basis is not satisfactory for the territorial governments."

The Prime Minister has suggested that northern concerns could be dealt with in discussions between the federal government and the three territories, and we are hopeful that the four governments will soon resolve this issue to the benefit of residents of the three territories.

Despite our recognition that the government is unlikely to receive significant new revenues in the immediate future, we do not believe it is prudent to alter our basic fiscal strategy. However, we must slow down capital investment and are tempering expenditures to maintain the overall debt at manageable levels. As we plan for the future, it is essential that we carefully consider how we will carry out the functions of the Government of the Northwest Territories. We must do so in a manner that maintains programs and services for the public, and is carried out in partnership with aboriginal and other northern governments. This being said, all Northwest Territories residents must recognize that we will need to make some difficult choices.

To prepare for the challenges that lie ahead, we established the Corporate Review and Transition Planning project last October. Operating during the current and coming fiscal years, the project is examining our current government operations and will identify, for the consideration of legislators, short and long-term options for government operations. In addition, the project will co-ordinate the development of cost restraint measures that will help to ensure that we can, in the long-term, operate within the financial resources that we have available. Our goal is to ensure that the Government of the Northwest Territories is organized in the most effective and efficient way possible.

In short, Mr. Speaker, we are aware of the fiscal challenges that the 15th Assembly will face, for the simple reason that they are the same ones faced by the 14th Assembly. The difference for the 15th Assembly will be that we have freed them from a number of liabilities and have made investments that are

already demonstrating returns in the form of an improved environment for economic development. Over the longer term, we believe the 15th and later Assemblies will be able to recognize improvements in the well-being of Northwest Territories residents and communities that can be traced back to initiatives and investments put in place by this Assembly.

I would now like to turn to the initiatives and investments proposed in this budget.

Building On Our Achievements

Social Agenda

Improved social conditions are essential to realize the dream of a better quality of life for all Northerners. All residents must work together to strengthen our communities and each individual resident must take responsibility for actions to improve his or her individual health.

Last October, we tabled *Doing Our Part: The GNWT's Response to the Social Agenda*. In that document we outlined a number of actions that could be taken within the mandate of this government to meet the goals of the Social Agenda Working Group and make positive changes to social conditions in the North. Since that time, work has been underway to meet our mutual goals. Progress to date includes implementation of:

- multi-year funding for a number of community-based contribution programs;
- development of terms of reference for demonstration projects to begin this coming fiscal year in seven communities across the Northwest Territories;
- development of a social "lens" to be applied to all new program, policy and legislative development;
- distribution to all households in the Northwest Territories of a self-care booklet; and finally,
- work on a healthy living strategy.

We look forward to working more closely with our aboriginal government and non-government partners in the coming year to improve social conditions for all residents.

Healthy Lifestyles

The Government of the Northwest Territories encourages healthy life-style choices. For this reason, our government is considering the possibility of legislation for smoke-free public and work places to curb the Northwest Territories' high smoking rates. In keeping with this effort to reduce tobacco consumption, I will allow the tax on tobacco products to increase to the quarterly prescribed rate, effective April 1, 2003. I estimate that this will result in an increase in the Northwest Territories tobacco tax of \$6.80 per carton of cigarettes and an increase of 4.4 cents per 200 grams of loose tobacco. It is anticipated that this will generate \$2.5 million in additional revenue to fund ongoing government expenditures. This initiative is expected to encourage smokers to quit and therefore reduce smoking rates, particularly among young people.

Alcohol abuse and impaired driving have caused too much grief and suffering for Northerners in needless accidents that were entirely preventable. For those who have not heard, new tougher laws will deliver the message that the consumption of alcohol and the operation of a motor vehicle do not mix.

The government intends to introduce new amendments to the Motor Vehicles Act this year that will strengthen our efforts to deter impaired driving in the Northwest Territories. With new administrative suspensions and new re-instatement conditions, the amendments will bring our impaired driving laws in line with similar laws that have been adopted in southern Canada over the past several years.

Our statistics show that there is a significant increase in alcohol abuse and related crime in certain communities as a result of economic boom conditions. We know that excessive alcohol consumption has a detrimental effect on individuals, families and communities. In an effort to reduce the consumption of alcohol, we will be raising mark-ups on liquor sold in the Northwest Territories by 10 percent, effective April 1, 2003. The increased mark-ups will raise retail liquor prices approximately seven percent for spirits, 3.6 percent for beer and five percent for wine. This initiative will also raise almost \$1 million annually in new revenue for the government.

This government recognizes the need to address the significant mental health addiction issues which, in turn, are at the heart of many health and social issues in our communities. This budget includes an investment of \$1.4 million to implement a four-year action plan that will see improvements to prevention, treatment and aftercare services. The 2003-2004 funding will include the hiring of mental health workers and clinical supervisors, training for prevention workers and enhanced funding for family violence shelters.

Health Care

We are all aware of the human resource and financial pressures on our health and social services system. The government is committed to addressing these pressures to provide a stable system that can deliver services when they are needed. Considerable progress has been made in the last few months to alleviate these pressures.

In total, this budget includes \$26 million in additional funds for health and social service programs over last year's budget. This brings the total department budget to \$226 million in 2003-2004. Increased costs, primarily in health care expenditures, will account for \$14 million of the additional funding. The remaining \$12 million includes the \$8.3 million for the interim health professional plan announced last December, almost \$1 million for community demonstration projects, \$758,000 for recruitment and retention initiatives and \$258,000 for telehealth coordinators.

Education

Three years ago, this government committed to reducing the pupil-teacher ratio. The Honourable Jake Ootes, Minister of Education, Culture and Employment, has continued that commitment in this budget, which adds \$1.2 million to education expenditures for this purpose. We have provided an additional \$1.9 million for enrollment, mandatory new school programs and increased utility costs. This budget contains an additional \$2.9 million for boards to meet increased costs and \$474,000 to expand Student Financial Assistance in support of our nurse recruitment and retention initiatives. This budget also contains an additional \$230,000 to implement year three of the early childhood development action plan. Almost \$8 million will be added to the budget of the Department of Education, Culture and Employment to maintain this government's commitment to education. This increases the department's budget to \$210 million in 2003-04.

Community Development

The budget also contains new initiatives designed specifically to support our smaller communities.

I am pleased to announce that the Department of Municipal and Community Affairs will receive annual funding of \$1 million to establish a program to begin chipsealing the main streets in non-tax based communities. The issue of dust on gravel roads has been a health concern in many communities. Paving main streets effectively controls dust on the roads that receive the heaviest traffic. As roads are paved, communities will also be provided with resources to obtain specialized equipment that will allow them to maintain the new road surfaces.

Both the Social Agenda, and the interim report of the Special Joint Committee on Non-Tax-Based Community Affairs identify the need for greater resources for smaller communities to allow them to respond to the needs of youth and to address other social concerns. In response to the recommendation of the special committee, the Honourable Vince Steen, Minister of Municipal and Community Affairs, will make a \$1 million fund available for community-sponsored projects. The program will financially assist non-tax-based community governments or community supported non-profit organizations to provide programs or services in areas of healthy lifestyles, safety and active living.

We have heard that in order to support community health and well-being, the government must not lose sight of the need for community recreation facilities. Even though our capital budget is constrained, I am pleased to announce that this budget contains funding to complete an outdoor skating rink in Colville Lake and a curling rink in Aklavik, to replace an aboveground swimming pool in Fort Providence, and to proceed with a new community arena in Lutselk'e.

Our government commits a total of \$53 million to support public housing and home ownership programs and, including the federal share, we will spend over \$100 million to address the housing needs of our residents. For example, residents in a number of small communities have been unable to access the expanded down payment assistance program funding for new housing and renovation projects in order to acquire bank financing. This issue has resulted in slower housing development over the past several years in these communities compared to others. The Honourable Roger Allen, Minister Responsible for the NWT Housing Corporation, will introduce additional grant and contribution funding of \$1.7 million in each of the next three years through the independent housing program to provide for both new housing and renovations to existing housing in these specific communities.

The Economy

Our vision for a better tomorrow relies heavily on our ability to take advantage of the opportunities provided by rapid economic development.

Responsible management of the Northwest Territories' resources requires that a clear balance be struck between the social and economic benefits of development and the longer-term goals of environmental protection and conservation.

To achieve sustainable growth, to strike the proper balance between economic development and the enduring protection of our environment, the government must address these often-competing goals. The investments and expenditures contained in this budget reflect our best effort to achieve the balance prescribed in Common Ground.

Both Common Ground and the non-renewable resource development strategy identified transportation infrastructure as critical. This budget will add to the investments we have already made in this area.

Last May, we submitted Corridors for Canada to the federal government for funding through its Strategic Infrastructure Fund. Over the past several months, the Government of the Northwest Territories and our private sector partners have lobbied the federal government vigorously to obtain what we consider our fair share of the Strategic Infrastructure Fund. Although it falls far short of the investments proposed in Corridors for Canada, the federal government has committed to invest \$20 million in new infrastructure projects over the next four years. This budget reflects the proposed investment of this funding. If we reach agreement with the federal government, \$4.3 million of the federal dollars will be spent in 2003-2004 on the Dempster Highway, on bridges for the Mackenzie Valley winter road and on the Slave Province highway corridor.

The Corridors for Canada proposal remains a sound, reasonable and viable plan for the construction of new highway infrastructure in the Northwest Territories that is vital to the further development of our resource-based economy. We will continue to demonstrate that the development of the Northwest Territories contributes substantially to the growth of the national Canadian economy.

The promising partnership formed between the Government of the Northwest Territories and the Deh Cho Bridge Corporation Ltd. for the construction of a bridge over the Mackenzie River at Fort Providence is an excellent example of our strategy of working in partnership to create a prosperous territory for all residents.

Last November, the Government and the Fort Providence Combined Council Alliance signed a Memorandum of Intent mapping out the regulatory, technical, financial and legal steps that the parties need to take to conclude a full, legally binding agreement to build the bridge. We expect to have that agreement by the third quarter of this year and expect construction to start soon after signing the agreement. The idea of year round, uninterrupted travel across the Mackenzie River is something the people who live on the North side of the Mackenzie River have looked forward to for many, many years. It may become a reality much sooner than anyone ever imagined. I am pleased to report that we are proceeding along quite well. Still, there is much yet to be done. There is \$250,000 in this budget proposed for the Deh Cho Bridge project. I will be introducing legislation this session to make this partnership a reality.

This government will work to ensure that businesses and workers in the Northwest Territories benefit from the development of our natural gas reserves and the construction of a Mackenzie Valley gas pipeline.

This budget includes more than \$1 million to support the Mackenzie Valley Development Project. This funding will be directed toward projects such as community-based entrepreneurial training and workplace-based training, human

resource development, worker mobility, promotion of value-added oil and gas industries and building capacity within the Aboriginal community.

Mr. Speaker, a key element in the balance we seek between economic development and the preservation of our natural and cultural heritage is the enhancement of the traditional economy, which includes fur harvesting, arts and crafts, and cultural tourism. Elements of the traditional economy are especially appropriate for smaller communities. This priority was stressed in Common Ground, as well as the Northwest Territories Protected Areas Strategy.

In the Northwest Territories, trappers are seeing higher prices for their pelts. To take full advantage of these market conditions, the Department of Resources, Wildlife and Economic Development has announced an expansion of the fur price program to include all species. Further improvements to provide trappers with greater income security will be announced in the spring.

The Environment

Mr. Speaker, this government remains committed to protecting the environment for future generations. For the duration of the term of this Assembly, we will work to ensure programs reflect the important balance between environmental management and resource development.

This government clearly supports the Kyoto Protocol and over the next year will continue to work with federal, provincial, territorial and municipal governments to implement it. We will also take advantage of further partnership opportunities with Canada to implement new programs to help control our emissions of greenhouse gases.

Last year, we invested more than \$150,000 to improve air quality monitoring capability in the Mackenzie Valley and in Yellowknife. New air quality monitoring stations are being established in Norman Wells and Inuvik, and existing stations in Fort Liard and Yellowknife are being significantly upgraded.

Aboriginal organizations and governments must be confident that the potential impact of development on wildlife and the environment can be measured, managed and mitigated.

In the coming year, we will invest \$1 million to help secure biophysical baseline data needed for the environmental review of oil and natural gas development activities and to support effective monitoring programs following development.

Through the western NWT biophysical study, the Government of the Northwest Territories will continue to work with communities, Aboriginal organizations, wildlife management boards, industry and federal departments to jointly identify and fund the necessary scientific and community-based studies.

This government is also committed to continuing to work closely with industry, Aboriginal groups, the Government of Nunavut, and DIAND to ensure that an effective and efficient monitoring program is implemented in the Slave Geological Province.

Mr. Speaker, everyone has a role to play in energy conservation. Conserving energy not only saves money, it also protects the environment. This year, we will make \$300,000 available to departments, municipalities and non-profit organizations to undertake building energy retrofits.

Finally, the Arctic Energy Alliance has been contracted for the delivery of energy awareness messages, technical advice and energy building audits for the government, public schools and northern businesses. This annual investment of \$280,000 is expected to lever a further \$295,000 in similar programs from Natural Resources Canada and the federal Climate Change Secretariat.

The funding provided in this budget, whether for new initiatives or additional funds for established programs, serve to further this government's vision to create a better tomorrow.

Conclusion

Mr. Speaker, when the 14th Assembly took office, we were facing considerable fiscal challenges, very similar to those we face today. The 15th Assembly will face, just as we did, the issue of inadequate revenues, rising expenditure needs and restrictive borrowing limits. However, during our term we have moved forward substantially. The 15th Assembly will be in a position to benefit from the substantial investments made by this government in promoting and coping with resource development, in addressing critical social issues, in advancing devolution and resource revenue sharing and in building constructive partnerships with aboriginal governments.

The future of the Northwest Territories is bright. We are still on the right track. We have considerable challenges ahead of us in achieving the goals we have set for ourselves. It is by working together that we will succeed. Thank you, Mr. Speaker.

---Applause

MR. SPEAKER: Thank you, Minister Handley. Colleagues, in a few minutes we will be taking a short break to join the Minister of Finance in the Great Hall for a reception. We will reconvene at the sound of the bell. First, colleagues, I would like to direct your attention to the presence in the visitors' Gallery of the former Speaker of the Northwest Territories of the Legislative Assembly, Mr. Sam Gargan.

---Applause

MR. SPEAKER: Also the presence in the Gallery of a former Member of the Legislative Assembly, Mr. Robert Sayine.

---Applause

MR. SPEAKER: At this time, I would like to recognize the Member for Tu Nedhe, Mr. Nitah.

MR NITAH: Mahsi cho, Mr. Speaker. Mr. Speaker, in recognition of the number of people in the audience who are in the Gallery today to hear the address of Mr. Handley, I would like to suggest that my colleagues seek unanimous consent to advance to item 7 of the agenda.

MR. SPEAKER: Thank you. The honourable Member is seeking unanimous consent to advance to agenda item 7, recognition of visitors in the Gallery. Are there any nays? There are no nays. The honourable Member for Tu Nedhe, Mr. Nitah.

ITEM 7: RECOGNITION OF VISITORS IN THE GALLERY

MR. NITAH: Mahsi cho, Mr. Speaker. Mr. Speaker, I would like to also recognize my chief, Mr. Archie Catholique from Lutselk'e, Chief Robert Sayine from Deninu Kue, former chief from Deninu Kue Mr. Don Balsillie, and Mary Rose Blackduck from CBC and Blaine Antoine from Yellowknife, Mahsi cho, Mr. Speaker.

---Applause

MR. SPEAKER: Thank you. The honourable Member for Nahendeh, Mr. Antoine.

HON. JIM ANTOINE: Mahsi, Mr. Speaker. Mr. Speaker, I would like to welcome all the chiefs and leaders in the Gallery to listen to the finance Minister's budget speech for this coming year. Along with me today from my riding is the mayor from Fort Simpson, Tom Wilson. I would like to recognize him.

---Applause

As well, I would like to recognize Kathy Tetso. She's the chief executive officer of the Deh Cho Health and Social Services Board. It's one of the only boards that have a surplus in the Northwest Territories.

---Applause

I would also like to recognize two of my EAs; Edith Mack and Susan Fleck. I would also like to recognize the deputy minister of RWED, who I work with very closely. He's a hard worker. I want to welcome my nephew Blaine Antoine into the Chamber as well.

---Applause

MR. SPEAKER: I recognize the honourable Member for Weledeh, Mr. Handley.

HON. JOE HANDLEY: Thank you, Mr. Speaker. I would like to recognize everyone who came in the Gallery today, but I will name four people I recognize. First of all, Todd Parsons, president of the Union of Northern Workers.

---Applause

Mayor Gordon Van Tighem, the Yellowknife mayor.

---Applause

Denise Burlingame with Ekati Mine.

---Applause

Last but not least, my boss and wife, Theresa.

---Applause

MR. SPEAKER: Thank you. Item 7, recognition of visitors in the Gallery. The honourable Member for Deh Cho, Mr. McLeod.

MR. MCLEOD: Thank you, Mr. Speaker. Mr. Speaker, I would like to welcome all the people in the Gallery. I am a little disadvantaged. I can't see from where I am sitting here, but I would like to welcome the chief of Fort Providence Deh Gah Gotie Dene Council, Sam Gargan, former Speaker.

---Applause

Also, the sub-chief and our new chair of the Deh Cho Bridge Corporation, Michael Vandell. We also have from Fort Providence Joe Lacorne and Mary Rose Elleze, I believe, are here visiting us.

---Applause

I would also like to recognize Andrew Gamble and Graeme Dargo who are working on the bridge corporation project with us.

---Applause

I believe my little brother Bob McLeod is up there some place, too.

---Laughter

---Applause

MR. SPEAKER: Thank you. Item 7, recognition of visitors in the Gallery. We have a lot of people here. The honourable Member for Mackenzie Delta, Mr. Krutko.

MR. KRUTKO: Thank you, Mr. Speaker. Mr. Speaker, at this time, I would like to recognize the SAO of the hamlet of Fort McPherson, Mr. John Smith.

---Applause

MR. SPEAKER: Item 7, recognition of visitors in the Gallery. The honourable Member for Thebacha, Mr. Miltenberger.

HON. MICHAEL MILTENBERGER: Thank you, Mr. Speaker. Mr. Speaker, I would like to recognize Chief Victor Marie from the Salt River First Nations, Henry Beaver from the Salt River First Nations, Ron Desjarlais from Lutselk'e, the deputy minister of Health and Social Services, Mr. Dave Murray and possibly, but I can't see, but Mr. Rob Tordiff, the president of the Northwest Territories Metis Nation. Thank you.

---Applause

MR. SPEAKER: Item 7, recognition of visitors in the Gallery. The honourable Member for Inuvik Twin Lakes, Mr. Allen.

HON. ROGER ALLEN: Thank you, Mr. Speaker. Today I would like to recognize Mr. Clare Beckton, Deputy Attorney General with Justice Canada and who is responsible for the Aboriginal Affairs portfolio, as well as Shirley Kemys-Jones from the Department of Justice. Thank you, Mr. Speaker.

---Applause

MR. SPEAKER: Item 7, recognition of visitors in the Gallery. The honourable Member for Range Lake, Ms. Lee.

MS. LEE: Thank you, Mr. Speaker. I would like to welcome everyone to the Gallery and I can't recognize everybody, but I do have a few people. I would like to recognize Roxanna Baisi. She's my constituent and she's also the director of membership services. I would like to recognize Mayor Winnie Cadieux from Enterprise and Hilary Jones from Arslanian and Mike Vaydik from the Chamber of Mines. Last, but not least, I would like to recognize hard working civil servants up there, FMB analysts:

Charles Tolley, Carmen Aumond, Rosa Proietto and my constituent Myra White. Thank you, Mr. Speaker.

---Applause

MR. SPEAKER: Thank you, I. Lee. Item 7, recognition of visitors in the Gallery. The honourable Member for Yellowknife Centre, Mr. Ootes.

HON. JAKE OOTES: Thank you, Mr. Speaker. I have a number of people I would like to recognize. First of all, my deputy minister, Dr. Loretta Foley.

---Applause

Secondly, the president of the NWTTA...Pardon me, I have a whole list here.

MR. SPEAKER: Item 7, recognition of visitors in the Gallery. The honourable Member for Inuvik Twin Lakes, Mr. Roland.

MR. ROLAND: Thank you, Mr. Speaker. I would like to recognize the deputy mayor for Inuvik town council, Mr. Clarence Wood.

---Applause

MR. SPEAKER: Thank you, colleagues. Long lists are not in order here. So, please, just narrow it down to a minimum number. Item 7, recognition of visitors in the Gallery. The honourable Member for Yellowknife Centre, I apologize for cutting you off, I thought you were done.

HON. JAKE OOTES: My apologies, Mr. Speaker. I did have a long list. I will recognize the president of the NWTTA, Mr. David Murphy.

---Applause

MR. SPEAKER: Item 7, recognition of visitors in the Gallery. The honourable Member for Deh Cho...Sorry, we got you already. Mr. Braden, Great Slave.

---Applause

MR. BRADEN: Thank you, Mr. Speaker. It gives me pleasure to recognize a couple of people: Mr. Bob Haywood, president of the NWT Federation of Labour; Barbara Saunders, executive director of the Status of Women Council of the NWT; and, from the Department of Public Works and Services, deputy minister Mr. Bruce Rattray. Thank you.

---Applause

MR. SPEAKER: Thank you. Item 7, recognition of visitors in the Gallery. No further recognitions. I would like to take this opportunity of saying welcome and thank you for attending this very important session. We will now take a short break and return at the bell.

---SHORT RECESS

MR. SPEAKER: Item 4, Members' statements. Item 5, reports of standing and special committees. Item 6, returns to oral questions. Item 7, recognition of visitors in the Gallery. Item 8, oral questions. The honourable Member for Hay River North, Mr. Delorey.

ITEM 8: ORAL QUESTIONS**Question 13-14(6): Pipeline Readiness Funding**

MR. DELOREY: Thank you, Mr. Speaker. Mr. Speaker, in light of the fact that today was the Budget Address, I would like to comment to the numbers on the opposite side for a job well done in delivering the address today.

Another issue that came to light today, Mr. Speaker, seeing as how we are dealing with the budget, is an announcement that we heard on the radio at noon time that Ottawa is opening up the purse strings to help initiatives in the oil and gas sector. There was an announcement from DIAND that they are going to make available \$10 million over the next five years, I think is what the announcement said, to fund a pipeline readiness office. I think it's an excellent time for us to start making some moves in distributing the prosperity around. I would like to ask the finance Minister if he's aware of this money and what it exactly means for the Territories. I am understanding that it may be something like five positions. I would like to know if the finance Minister can update us on what that funding is about. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Delorey. The honourable Minister of Finance, Mr. Handley.

Return To Question 13-14(6): Pipeline Readiness Funding

HON. JOE HANDLEY: Thank you, Mr. Speaker. Mr. Speaker, I haven't had a chance to read the communiqué or anything. I understand the Minister of Resources, Wildlife and Economic Development is going to be making a statement on it tomorrow after we have a look at it. Thank you.

MR. SPEAKER: Thank you. Supplementary, Mr. Delorey.

Supplementary To Question 13-14(6): Pipeline Readiness Funding

MR. DELOREY: Thank you, Mr. Speaker. Mr. Speaker, if the Minister of RWED is going to be making an announcement on that, I will probably save my questions and direct them to the Minister of RWED. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you. Item 8, oral questions. The honourable Member for Great Slave, Mr. Braden. No? Item 8, oral questions. Item 9, written questions. Item 10, returns to written questions. Item 11, replies to opening address. Item 12, replies to Budget Address. Item 13, petitions. Item 14, reports of committees on the review of bills. Item 15, tabling of documents. Item 16, notices of motion. Item 17, notices of motions for the first reading of bills. Item 18, motions. Item 19, first reading of bills. The honourable Member for Weledeh, Mr. Handley.

HON. JOE HANDLEY: Thank you, Mr. Speaker. Mr. Speaker, I seek unanimous consent to proceed with first reading of Bill 3, Appropriation Act, 2003-2004.

MR. SPEAKER: Thank you. The honourable Member is seeking unanimous consent to proceed with the reading of Bill 3. Are there any nays?

AN HON. MEMBER: Nay.

MR. SPEAKER: We cannot proceed on first reading of bills. Item 20, second reading of bills. Item 23, third reading of bills. The honourable Member for Inuvik Twin Lakes, Mr. Allen.

ITEM 23: THIRD READING OF BILLS**Bill 1: Legal Registries Statutes Amendment Act**

HON. ROGER ALLEN: Mr. Speaker, I move, seconded by the honourable Member for Weledeh that Bill 1, Legal Registries Statutes Amendment Act, be read for the third time. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you. We have a motion on the floor. All those in favor? All those opposed? The motion is carried.

---Carried

MR. SPEAKER: Bill 1 has had third reading. Item 23, third reading of bills. Mr. Clerk, orders of the day. The Chair recognizes the honourable Member for Weledeh, Mr. Handley.

HON. JOE HANDLEY: Mr. Speaker, I would like to ask for unanimous consent to return to item 19, first reading of bills.

MR. SPEAKER: The honourable Member is seeking unanimous consent to return to item 19, first reading of bills. Are there any nays?

AN HON. MEMBER: Nay.

MR. SPEAKER: We have a nay. We cannot return, so that brings us back to item 24, orders of the day.

ITEM 24: ORDERS OF THE DAY

CLERK OF THE HOUSE (Mr. Hamilton): Orders of the day for Friday, February 14, 2003:

1. Prayer
2. Ministers' Statements
3. Members' Statements
4. Returns to Oral Questions
5. Recognition of Visitors in the Gallery
6. Oral Questions
7. Written Questions
8. Returns to Written Questions
9. Replies to Opening Address
10. Replies to Budget Address
11. Petitions
12. Reports of Standing and Special Committees
13. Reports of Committees on the Review of Bills
14. Tabling of Documents
15. Notices of Motion
16. Notices of Motions for First Reading of Bills
17. Motions
18. First Reading of Bills

- Bill 3, Legal Registries Statutes Amendment Act

19. Second Reading of Bills
20. Consideration in Committee of the Whole of Bills and Other Matters
21. Report of Committee of the Whole
22. Third Reading of Bills
23. Orders of the Day

MR. SPEAKER: Thank you, Mr. Clerk. Accordingly, this House stands adjourned to February 14, 2003, at 10:00 a.m.

---ADJOURNMENT

The House adjourned at 3:10 p.m.

