Budget 2017

April 6, 2017

Our Plan

Summary 2016/17

- Revenues improved by $544M, primarily due to oil royalties
- Expenses down $81M from Budget
- Borrowing down by $475M

Budget 2017

- Deficit forecast to be $778M

- Expenses $283M lower than 2016/17:
  - Zero Based Budgeting ($65.9M)
  - Changes to Management Structure ($30.8M)
  - Savings from extended Government agencies ($41.9M)
  - Annualized savings of 2016/17 actions ($68.1M)
  - Net savings, including actuary calculations / accrual adjustments ($77M)

- 2017/18 Borrowing down by $2B to $400M

Statement of Operations 2017/18

	2016/17 Revised	2017/18 Budget	Variance
Revenue	7,320	7,339	19
Expenses	8,400	8,117	(283)
Deficit	(1,080)	(778)	302

Revenue Summary 2017/18

- Oil Price assumption - $56 US per barrel
- Price forecast is comparable to recent federal and provincial budget assumptions
- Oil production lower than 2016/17

Fiscal Year 2017/18	Oil Price $US
Newfoundland and Labrador (Brent)	56.00
Alberta (WTI)	55.00
Saskatchewan (WTI)	56.25
Quebec (Brent)	58.75
Federal (WTI)	55.25

Leveraging Federal Funding

- Every effort made to maximize Federal funding
  - Positive impact on the economy and people/communities

- $573M Federal/Provincial $ in 2017/18
  - $3B five-year infrastructure plan
  - Equivalent of 4,900 full-time jobs on average each

Investing in Our Province 2017/18

Healthy Living

- Overall commitment of more than $4 billion for health and wellness
- $115.2 million for community groups
- $88.2 million for health care infrastructure
- $73 million over 10 years for mental health. An initial investment of $1.4 million in 2017 will support mental health
- $7.5 million to advance replacement of Waterford Hospital
- $5 million to start implementation of the recommendations of the All-Party Committee on Mental Health and Addictions
- $2.5 million to expand primary health care teams
- $730,000 for the Labrador Travel Subsidy

Investing in Our Province 2017/18

Education and Skills Development

- Over $316 million for Memorial University
- Over $89 million for College of the North Atlantic
- $68 million to maintain the existing tuition freeze at Memorial University and College of the North Atlantic
- $14.5 million for the Child Care Subsidy Program
- $1.3 million increase annually for the Early Learning and Child Care Supplement
- Increase of $500,000 for additional Student Assistant hours to support inclusive education

Investing in Our Province 2017/18

Industry and Business

Investing in Our Province 2017/18

Infrastructure

- Nearly $3 billion multi-year infrastructure plan (equivalent of an average of 4,900 full-time jobs per year over next five years)
- $573.1 million in key areas including roads, schools, health care facilities and municipal infrastructure
- $142.4 million under municipal infrastructure program
- $88.2 million to health care infrastructure
- $53.8 million for new schools, extensions and repairs/maintenance
- $44.7 million for post-secondary infrastructure projects

Investing in Our Province 2017/18

Safe and Sustainable Communities

- $100 million for municipal infrastructure over the next three years

- $5 million over three years for a new Home Energy Savings Program, and $4 million over three years for a new Home Energy Efficiency Loan Program, which offers low-interest financing of up to $10,000 for energy efficiency home upgrades

- Approximately $7.8 million for transition houses, including over $780,000 in new funding so that transition houses can provide the necessary services to women and children fleeing violence

- Approximately $370,000 to strengthen the court system in Labrador

- $250,000 for Sexual Assault Response Pilot Program

Summary of Plan to Return to Surplus

- 2016/17 and 2017/18 exceeding deficit reduction targets
- On pace to return to surplus in 2022/23
- Work continues on spending reductions in government and extended government agencies
  - Expenditure reviews
  - Shifting culture to focus on eliminating waste
  - Efficiency improvements
- Oil Revenue Risk Adjustment reflects oil price volatility over the medium to long term
- Nalcor is committed to lowering long term electricity rates

Controlling spending

Borrowing

Newfoundland and Labrador Economy

- Economy in transition
- Positive economic activity occurring, including offshore exploration, aquaculture, tourism and significant mining activity
- Budget 2017 actions to support the Economy
  - Nearly $3 billion multi-year Infrastructure, creating equivalent of 4,900 full time jobs on average per year
  - Reducing taxes - Gas Tax reduction
  - Investment in the NL Income Supplement and Seniors Benefit
- Many key economic indicators showing improvement
- Future electricity rate management

Future Electricity Rate Management

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Appendix

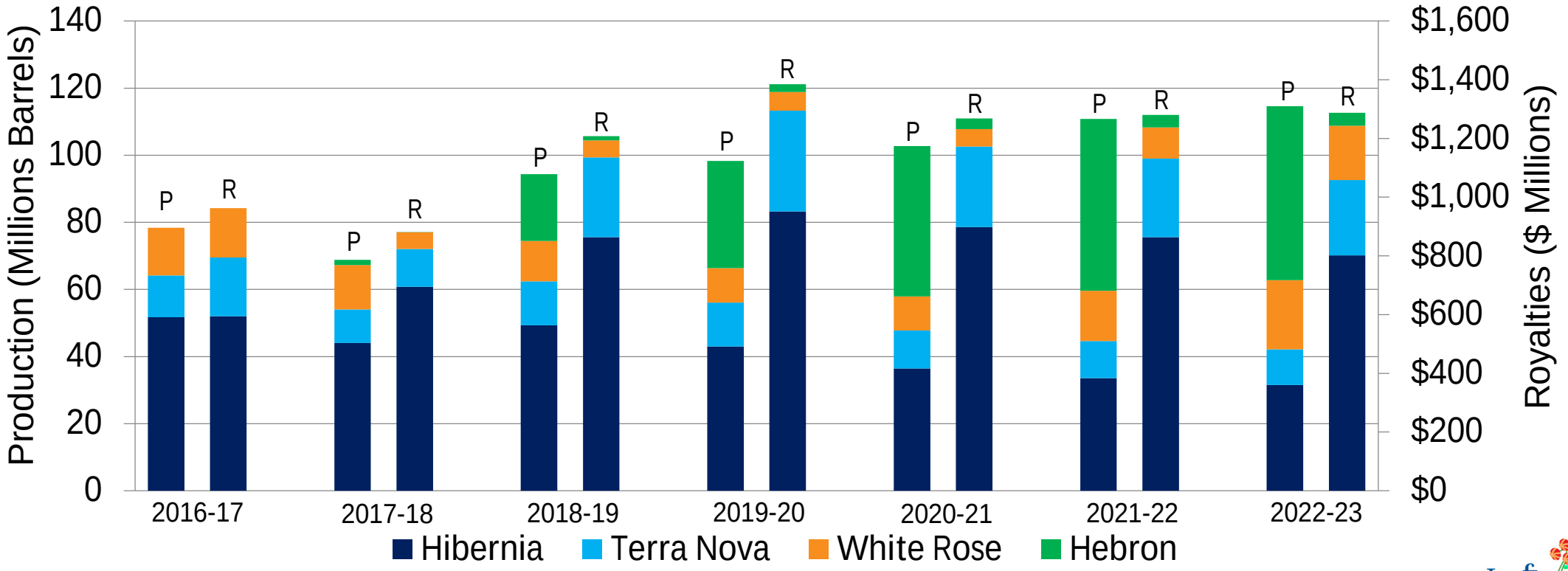
OIL PRICE AND EXCHANGE RATE SENSITIVITIES

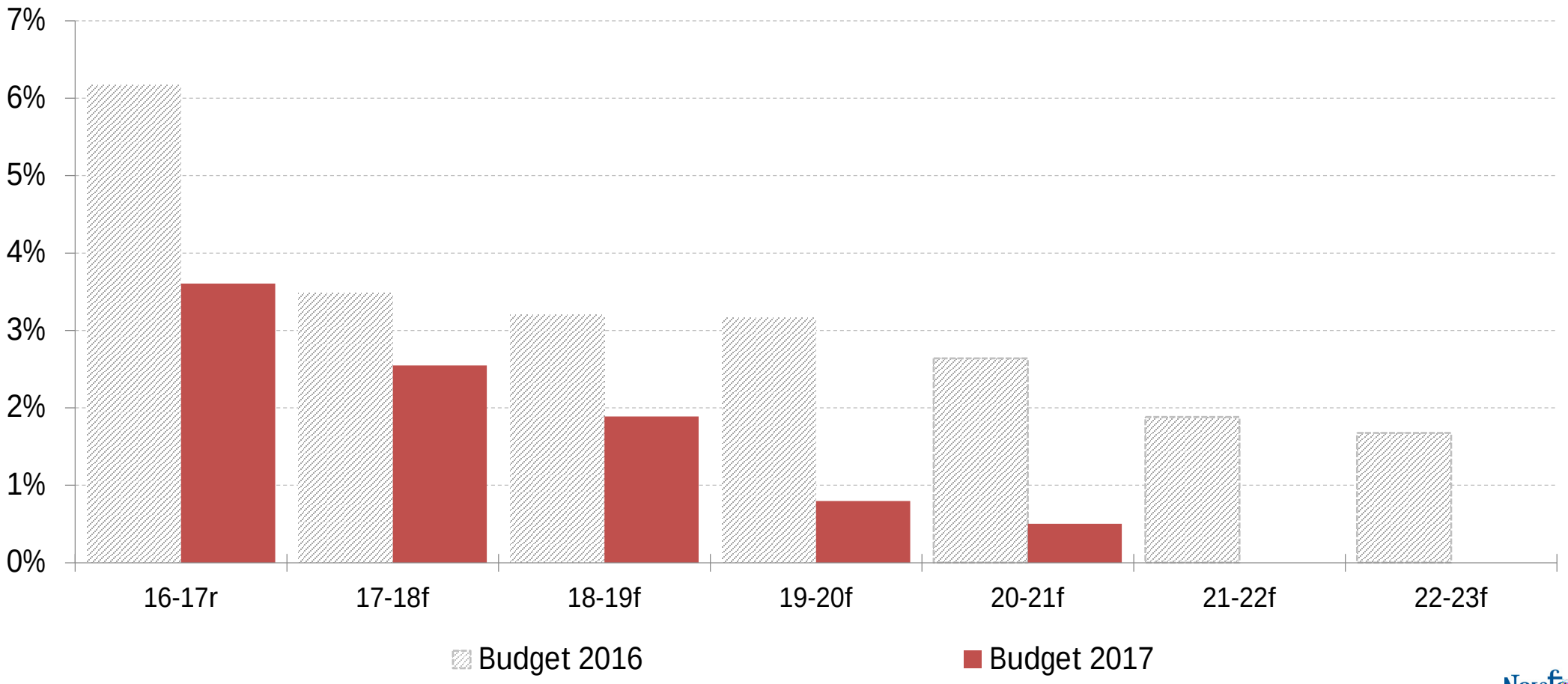
	Fiscal Year 2017-18	
	Budget 2016	**Budget 2017**
Oil Royalties	$ 949 Million	$882 Million
Average Oil Price	US$52	US$56
Exchange Rate (USD/CAD)	0.77	0.75

Sensitivities						

OIL PRODUCTION AND ROYALTIES

Production (P) left stacked columns; Royalties (R) right stacked columns



Sources: Department of Finance, Department of Natural Resources, C-NLOPB, Nalcor.

Deficit as a % of GDP