

BUDGET 2017



Budget Speech




2017 Budget Speech

Realizing Our Potential



Delivered by
Honourable Cathy Bennett
Minister of Finance and
President of the Treasury Board
at the
2nd Session of the 48th General Assembly
of the House of Assembly
Thursday, April 6, 2017



Mr. Speaker, it is a pleasure to rise in this Honourable House today to deliver a budget that is fair and balanced and continues our government on a path to realizing our potential and returning our province to surplus by 2022-23.

Budget 2017 continues our government's commitment to strong fiscal management and builds on the principles outlined in The Way Forward, which is our vision for sustainability and growth.

Mr. Speaker, in the wake of the serious fiscal situation facing Newfoundland and Labrador, we have taken a smart, focused approach. We continue to take an evidence-based approach to how projects, as well as programs and services are supported. At every opportunity we need to perform due diligence and achieve the best possible outcomes. The measures we are taking will benefit future generations - our actions today will help realize our long-term potential.

The magnitude of the fiscal challenge that we inherited cannot be understated. The easy solution would have been to ignore the situation and pass the problem on to future generations. Instead, we chose to make some very difficult and responsible decisions for the long-term benefit of Newfoundland and Labrador.

In last year's budget, with only four months in office, we knew that unless we increased revenue, we could not pay for basic programs or services. Without the measures taken our province would have faced serious challenges with rating agencies and banks. Some believed that it could have even led to bankruptcy. Our government made hard choices and asked taxpayers to dig deep into their pockets so we could close the gap between our revenue and our costs. We are on a path to gain control of our finances and strike the balance of better spending controls and valuable investments in communities, people and the economy.

Mr. Speaker, Budget 2017 reflects progress. It reflects a methodical and responsible approach to more effectively managing the delivery of public services and our fiscal situation. We will continue the work that will reshape the delivery of services in Newfoundland and Labrador. At every opportunity we will work to achieve the best possible outcomes.

Mr. Speaker, we are thankful to the women and men of this province who challenge and remind us daily that we must do our best because the province deserves no less.

Aware of the challenges that lay before us, and the rightful expectations of residents, I will now outline our fiscal environment and continued progress.

Fiscal Review – 2016-17

In Budget 2016 we projected a deficit of \$1.83 billion. Over the course of the past twelve months expenditures have been reduced and revenues have improved. This has led to a revised deficit of \$1.1 billion.

Statement of Operations 2016/17

	Budget	Revised	Variance
Revenue	6,776	7,320	544
Expenses	8,481	8,400	(81)
Revenue Risk Adjustment	(125)	0	125
Deficit	(1,830)	(1,080)	750

Fiscal Forecast

Mr. Speaker, in last year's budget our government outlined a seven-year plan to return this province to surplus. Today I am happy to announce that we are currently ahead of our forecasting in terms of deficit projections and are on track to return to surplus in 2022-23.

Before we get into the details of our forecasting, it is important to understand some of the underlying economic assumptions that have shaped our thinking for Budget 2017.

As you know Mr. Speaker, following years of continued expansion, the Newfoundland and Labrador economy has been impacted by several factors such as the transition of several major projects from development to production stages combined with an overall decrease in commodity prices. That being said, there are also several emerging developments that hold promise for Newfoundland and Labrador. This is highlighted by first oil being expected from the Hebron field later this year, along with increased production levels in the province in 2018 and for several years following.

We are optimistic about the future of our offshore oil industry.

We believe that Hebron will be one of a number of future developments in our offshore. Through the work of the Oil and Gas Industry Development Council, we will also position our province as a preferred location for development. This belief is supported by the past three years of offshore licence auctions, as well as exploration and development.

While challenges are being faced in the fishery, the seafood sector continues to be a significant contributor to our province, particularly in rural areas. In 2016, seafood production value reached a high of \$1.4 billion and directly employed over 17,000 people. Significant opportunities exist in the aquaculture industry and we will double production capacity while expanding into new areas of the province.

Growth and development is not only found on the sea, but also on land.

Muskrat Falls is generating benefits to workers and business by contributing approximately \$12 million per week to the provincial economy.

Mining continues to be an important part of the economy, with 2017 bringing increased construction activity of the underground mine at Voisey's Bay, the completion of Canada Fluorspar's mine in St. Lawrence, and significant output increases from the Long Harbour Nickel Facility.

Lumber production is expected to increase to approximately 83 million board feet, along with increases to the volume and value of newsprint produced. Our forestry sector continues to find its footing in a competitive global market and our government will continue to support this important part of our economy.

The provincial agri-foods sector is a diverse and growing component of our economy. Farm receipts are expected to grow across all sectors of the agriculture industry in 2017.

Mr. Speaker, the growth of our tourism industry is particularly exciting as it is generating economic wealth in all regions of the province. This has been enabled by improvements in transportation infrastructure, capacity and tourism marketing.

Nalcor/Muskrat Falls

Mr. Speaker, since forming government, we have taken steps to improve the governance of Nalcor Energy. Under their new leadership, performance of key projects has improved – specifically the Muskrat Falls project. In Budget 2017, the Provincial Government is making an equity investment of \$485.4 million in Nalcor Energy, which is a reduction of more than \$800 million from last year. Our government in collaboration with Nalcor committed to controlling costs and ensuring all necessary steps are taken to identify and mitigate any remaining engineering and construction risks as Muskrat Falls proceeds.

Mr. Speaker, our vision for the province does not include the doubling of electricity rates. It is not acceptable for residents to pay excessive electricity rates.

Future electricity rate management is a priority of our government. Nalcor has been directed to source \$210 million to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to \$245 million in the following fiscal years. We are committed to ensuring electricity rates are competitive and will undertake work to further define mitigation actions and dollars required.

Since coming into office, our government has also been working with our federal colleagues to secure the commitment of additional loan guarantee support for Muskrat Falls. As a result of these efforts, we secured a commitment of support up to \$2.9 billion.

Price Assumptions

Mr. Speaker, with all of these factors in mind, let us turn our attention to the price of a barrel of oil and the United States-Canada exchange rate.

In Budget 2017, we are forecasting oil at \$56USD per barrel. This is a prudent estimate, based on current forecasts, but we know too well the volatility of oil, so we are estimating cautiously.

Budget 2017 also forecasts the US-Canada exchange rate to be \$0.75. This estimate is based on an average of eight forecasts and is, again, a prudent estimate based on best available information.

Full details of these assumptions can be found on the Department of Finance's website.

Forecasted Oil Price Assumptions by Jurisdiction

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

Revenue

Mr. Speaker, we are happy to confirm to the people of this province that there are no new taxes or fee increases in Budget 2017.

Our government is responsive to the needs of Newfoundlanders and Labradorians. In 2017 residents will benefit from two reductions to the Temporary Gas Tax. Beginning on June 1, we will reduce it by 8.5 cents per litre; on December 1, 2017, we will reduce it by a further four cents per litre, for a total reduction of 12.5 cents. We will review the remaining four cents as part of the 2017 fall fiscal and economic update.

As communicated in last year's budget, tax increases must be balanced with tax competitiveness. We will initiate a comprehensive independent review of the tax system this fiscal year, which will be completed within our current mandate.

Our province leads Canada in terms of revenue generation on a per capita basis.

Expenses

Mr. Speaker, we have been clear that our province has a spending problem. On countless measures, our province has led Canada in expenditure per capita, without the necessary outcomes to demonstrate value for money.

Launched last year, The Way Forward has provided our departments and agencies with a guiding document to review expenditures and prioritize investments. Two key elements are important in the short-term of this fiscal year; zero-based budgeting, and the implementation of a more efficient and balanced management structure.

As we proceed, it is important to manage government benefits and salaries as they are a significant expenditure of the Provincial Government totaling \$3.3 billion.

In recognition of our challenging fiscal situation, our government will propose legislative changes to implement a wage freeze for management and all non-union employees for the current fiscal year. This includes core government and agencies, boards and commissions.

Over the past year, our government, through careful planning and smart decision-making, has reduced expenses by \$283 million as a result of zero-based budgeting, changes to management structure, savings from agencies, boards and commissions, annualized savings, as well as actuary and accrual adjustments. These are responsible choices for our government to make.

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

The projected annual deficit in Budget 2017 is \$778 million, which is below our targeted deficit of \$800 million.

Borrowing

Mr. Speaker, when our government took office, the previous administration had a borrowing requirement of \$2.4 billion. This was financed through \$400 million in bonds, with the balance being funded through 91 day T-Bills.

For Budget 2017, we have reduced our borrowing by \$2 billion, down to \$400 million. This marks a significant improvement in stabilizing the fiscal situation.

Budget 2017 Forecast

	2016-17 Update	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Total Revenue	7,320	7,339	7,711	7,996	7,959	8,172	8,282
Total Expenses	8,400	8,117	8,305	8,258	8,188	8,124	8,118
Oil Revenue Risk Adjustment	0	0	(50)	(80)	(95)	(120)	(140)
Deficit	(1,080)	(778)	(644)	(342)	(324)	(72)	24
Deficit Targets	(1,830)	(800)	(650)	(500)	(250)	0	100

Investing in Priority Areas

Mr. Speaker, the job of government is to govern and the fiscal crisis is not, nor should it be our sole focus. We have a job to do, and that job extends beyond the balance sheet.

Before we finalized this budget, we took the time to properly consult stakeholders. While all the input of all groups was considered, in particular I would like to thank the Women's Policy Office for the important role they played in working with departments to ensure that the perspectives of women were considered. We must recognize when inherent inequality exists within the province, and take positive action to implement measures directly aimed to address the inequalities and improve the lives of those who are impacted.

Our government takes great pride in the announcements we make today with respect to expenditures that support communities and individuals in Newfoundland and Labrador.


Education and Skills Development

Mr. Speaker, our government has prioritized the education of children and youth and the creation of a skilled workforce as being essential to the economic growth and sustainability of our province. We also appreciate that learning is life-long, starting in the early years of a child's life. In this year's budget we are making smart investments that will bring long-term benefits to all regions of this province.

Today I am proud to announce \$3.3 million in annual increases to support early childhood educators and families. We are adding \$2 million to the Child Care Subsidy program to reduce daycare costs for low and middle income families. We will also be increasing the Early Learning and Child Care Supplement by \$1.3 million, and providing early childhood educators with an increase in the supplement of \$1 per hour.

Budget 2017 continues our commitment to full day kindergarten with an allocation of over \$13 million to continue this program.

Mr. Speaker, this government remains committed to the principles of inclusive education, of promoting the right of all individuals to attend school with their peers and to receive appropriate and quality programming. Accordingly, we are allocating approximately \$120 million for inclusive education, including an additional \$500,000 to increase student assistant hours.



The Premier's Task Force on Improving Educational Outcomes is completing their important work and will be providing recommendations to improve our education system. Their work is supported by a \$100,000 investment.

Mr. Speaker, our government appreciates the importance of investments in educational infrastructure as it contributes to a modern learning environment. This year, \$53.8 million has been allocated for new school construction, extensions, renovations, and priority repairs and maintenance to K-12 schools.

We are restoring the \$652,500 operating grant which will be added to the \$10.7 million of funding provided to the Provincial Information and Library Resources Board. This grant will allow time for the independent review of the provincial library system to be completed, and for its recommendations to be considered by both the board and government.

We recognize that for many individuals, a post-secondary program of study is a requirement for the labour market. Our government continues to provide significant support for accessible and affordable public post-secondary education.

Memorial University is a cornerstone of education and skills development. It is a driver for economic activity and for youth to prepare themselves to lead our communities and business sectors.

This year, we are providing over \$316 million to Memorial University. This represents the highest public investment as a percentage of a university's general operating revenues of any university in Canada.

In addition, over \$89 million is being provided to College of the North Atlantic and its 17 campuses so that they can continue their important work.

Our government is committed to maintaining the existing tuition freeze at Memorial University and College of the North Atlantic.

Through changes to the Student Loan Program, we are now able to maximize access to the federal portion of the loans before any provincial contribution. This federal-first student loan policy provides the same overall funding to students, and provides the province with an annual cash savings of \$12.6 million.

Budget 2017 also provides funding for many programs and services to maintain a skilled workforce and to prepare Newfoundlanders and Labradorians to meet emerging labour demands.

Safe and Sustainable Communities

Safe communities provide individuals with peace of mind knowing that they, and their families, are relatively safe from harm. A recent decision from the Supreme Court of Canada, known widely as the Jordan decision, has resulted in unprecedented challenges to our justice system; but our government is committed to meeting these challenges head on.

In Budget 2017, we are investing over \$2 million in a number of justice and public safety initiatives, including planning for a new court complex in St. John's, measures to avoid unreasonable delays in trials and actions to address the increasing demands on the Supreme Court - Family Division. Furthermore, there will be renovations to the Supreme Court in St. John's and funding for planning to replace Her Majesty's Penitentiary.

In an effort to divert non-violent offenders from custodial sentences, we will determine the feasibility of a drug treatment court. This program would involve specialized court monitored treatment and community supports for individuals who commit non-violent offences caused by drug addiction.

This province, by utilizing available federal funding, is committing \$250,000 to establish a Sexual Assault Response Pilot Program. The program would provide victims of sexual assault with an independent legal advisor in order to increase their understanding of the court process.

Mr. Speaker, we are a province that has a deep culture and economic connection to the ocean. It has sustained our coastal communities for generations and been the livelihood of many.

Our government is committed to an inquiry into the search and rescue operations of our province to ensure that we are supporting the safety of our people.

As part of The Way Forward, we are committed to utilizing all available leveraged funding. That is why our government has committed \$43.5 million towards infrastructure to leverage \$70.6 million in federal contributions through the Clean Water and Wastewater Fund.

We are also making a provincial commitment of \$35 million in project approvals over the next two years to leverage \$25 million in federal funding through the Small Communities Fund of the New Building Canada Fund. We have also committed \$15 million of provincial funds to leverage federal funds for National and Regional Projects of the Provincial-Territorial Infrastructure Component of the New Building Canada fund.

Municipalities in Newfoundland and Labrador need help to lay the foundation for their future, have access to the resources they need to operate effectively, and have access to funding to assist their residents during unanticipated crises. Budget 2017 helps municipalities across all fronts.

As noted in March by the Minister of Municipal Affairs and Environment, we are committed to over \$100 million in multi-year capital works and municipal capital works projects. Beyond that, we have provided communities with a long-term planning window to enable them to better access provincial and federal funding.

Our new infrastructure program will provide residents of this province with improved access to higher quality water, better wastewater treatment, and enhanced disaster mitigation and incentivizes communities to collaborate regionally to share infrastructure and services.

Mr. Speaker, we are also committing \$22 million to keep municipal operating grants at their current levels and increasing the municipal portion of provincial gas tax revenue. The municipal share of gas tax revenue will increase by one-third, bringing the total commitment to \$7.1 million.

We are also providing \$2 million to the Special Assistance Grant program to assist communities with emergency and small capital works needs. Finally, we are committing \$1.88 million for municipalities to obtain new firefighting vehicles and equipment. This is a continuation of the value we place on firefighters and builds on our new presumptive cancer legislation.

Healthy Living

Mr. Speaker, through an overall commitment of more than \$4 billion, Budget 2017 demonstrates our government's support of such areas as mental health, healthy living, infrastructure and seniors' support.

I would like to take a moment to pause and express our sincere thanks for the outstanding work of the All-Party Committee on Mental Health and Addictions. They took their work seriously and provided meaningful recommendations for government; and government takes its duty seriously as well. Accordingly, we are committing \$5 million to advance the committee's recommendations, and are being supported by an initial investment of \$1.4 million in federal funding, which is a part of the agreement made under the Canada Health Accord for mental health.

Through Budget 2017, our government will support family doctors, nurse practitioners, nurses, social workers and paramedics to expand primary health care teams through an investment of \$2.5 million.

We have made a multi-year commitment to infrastructure investments in health. This commitment includes \$43 million for repairs and renovations at health facilities and the replacement and upgrading of medical equipment. It includes \$13.2 million to advance the replacement of Western Memorial Hospital. It includes \$7.5 million to advance replacement of the Waterford Hospital, and \$4.6 million to increase long-term care capacity in Corner Brook and central Newfoundland.

We also know that the most effective health programs are ones that support healthy living and wellness. That is why we are committing \$1.79 million to the Community Healthy Living Fund. This fund will provide for sports and recreation facilities and infrastructure.

We are also going to encourage youth to use those facilities and infrastructure. We are committing \$1 million toward active living programs that are targeted at youth.

Competition has been shown to increase participation rates across certain youth populations. So we are committing \$571,200 to support sport development initiatives and travel. Additionally, we have seen that we are more than capable of competing nationally and internationally, so we are committing \$681,000 to support Canada Games teams and other high performance athletes.


Wellness also encompasses more than activity; eating is an important component of healthy living. That is why we are committing \$1.3 million to healthy eating, supporting groups such as Kids Eat Smart, Food First NL, and the School Lunch Association.

Sometimes healthy living is about adding activities, sometimes it is about stopping bad habits. We are continuing our support of smoking cessation by contributing \$325,000 to the Newfoundland and Labrador Lung Association's Smokers' Helpline.

Recognizing the important role that community groups play in delivering programs and services, \$115.2 million is being provided in operational funding to community groups in the province. This includes the commitment to maintain core funding for 2017-18 while a multi-year grant funding system is developed.

Supporting Seniors and Vulnerable Residents

Mr. Speaker, the Provincial Government is committed to greater equity for persons with disabilities. We continue to work side by side with our stakeholders, community groups and individuals to help ensure people with disabilities can participate in their communities.



Achieving full inclusion requires a new way of thinking, and our government is seeing accessibility and inclusion take hold as a part of our daily lives and decision-making. Integrating the knowledge and experience of persons with disabilities continues to be vital in the development of our policies, programs and services.

Our government is committed to a number of initiatives such as the development of an inclusion-based disabilities act, and accessible taxi and vehicle programs, to help people with disabilities remain active participants in their communities.

Through an investment of \$120 million we will be maintaining the Newfoundland and Labrador Income Supplement, and the Seniors' Benefit. Combined, these programs assist approximately 155,000 individuals and families.

Every day, child protection social workers in our province work to assess the safety of children and make decisions to ensure their protection.

We also know that it is essential to modernize our approach to child protection. That is why we are committing \$305,800 to train our child protection staff in the new decision making model for the Protective Intervention Program. This new model supports professional judgment by providing individuals with up-to-date and efficient decision making tools.

We know that housing is critically important to vulnerable populations. Finding a suitable home and maintaining that home are daily challenges to some. Our government recognizes this, and is responding accordingly.

To provide on-site outreach services to help promote housing stability and self-reliance to those at risk of homelessness, we are continuing our annual commitment of \$1 million.

We are also allocating \$10.6 million to the Rent Supplement Program. This program is administered, in collaboration with private landlords to allow lower income households access to more housing options. Mr. Speaker, it is also important to note that 54 per cent of the clients for this program are seniors.

We are also committing \$7.6 million to supportive living. This money will go to 37 non-profit and community based groups that operate 51 projects throughout the province. Those organizations help individuals with complex needs find and maintain long term housing.

Budget 2017 involves the development of a responsive, integrated and sustainable approach to complex care management based in the community. We need to provide care in the home and in the community where possible and appropriate, and in a hospital only when necessary.

Through the Canada Health Accord, our province will receive \$87.7 million over the next 10 years for home and palliative care, including \$2.9 million in 2017. We will invest \$2.5 million into a Home First Program, designed to provide the necessary supports to individuals so they can stay in their home as long as possible.

Mr. Speaker, to help reduce high energy costs for lower income individuals, we will be investing \$5 million over three years for a new Home Energy Savings Program. Grants will be provided for low-income households for cost effective home upgrades to improve energy efficiency. A new Home Energy Efficiency Loan Program will offer low-interest financing for energy efficiency home upgrades.


We also know that while the work of all community groups is important to their particular areas, some community groups focus on especially vulnerable populations. Recognizing this need and the fact that core funding has not increased for many of these groups for some time, Budget 2017 is providing \$7.8 million in total funding to transition houses. This amount includes more than \$780,000 in new funding to help protect women and children fleeing violence.

We are also increasing total funding to over \$3 million for community groups that service women in the areas of violence prevention, mental health, career counseling, and advocacy. This annual increase of close to \$400,000 recognizes that our difficult fiscal situation may disproportionately impact certain members of society. We cannot forget our duty to act for all citizens, and to provide them with supports that meet their individual needs.

Indigenous Communities

Our government supports Indigenous communities and is focused on investments, programs and services that improve their social, health and economic well-being.

Later this spring, for the first time in our province's history, the Premier will lead a roundtable discussion with the province's Indigenous leaders to discuss matters which are important to them and to ensure that our government's programs and services reflect their needs.



An example of this commitment is our participation in the National Inquiry into Missing and Murdered Indigenous Women and Girls. Through this process, we will work collaboratively to ensure that our country does a better job of making decisions that reflect the needs of Indigenous people. Budget 2017 includes \$285,000 to establish Family Information Liaison Units to provide services to those who are participating in the national inquiry.

Labrador

As a government, we appreciate the cultural and economic contributions of Labrador. It is this reason why we joined with community stakeholders to raise the Labrador flag on our province's borders with Quebec – we appreciate the importance of the flag.

To link communities and provide people with greater access to important services, we are investing \$55.7 million to advance hard surfacing of the Trans-Labrador Highway. Not only does it link Labradorians but it also provides a direct link to mainland Canada.

To enhance the winter highway trail system on the north coast of Labrador, more than \$300,000 will go towards a new groomer. This will be the final addition of fleet upgrades and will keep the winter trail system open.

We also appreciate the unique challenges that exist in Labrador in terms of the delivery of justice and have identified strains on the court system in Happy Valley-Goose Bay.

To make the court safer for those using its services, we are investing approximately \$370,000. With this investment, the number of Sheriff's Officers will be increased, and an additional court manager will be hired to assist in scheduling and administrative matters.

It is important that all of our province's youth have the opportunity to participate in sport competitions. In particular, we appreciate the costs associated with travelling from Labrador to the island and are committing \$730,000 to the Labrador Travel Subsidy for championships that are held on the island portion of the province.

From an environmental perspective, it is important that we secure a greater understanding of the region's caribou population as it has an immense connection to the heritage of Labradorians. To support this activity, we will be allocating \$100,000 per year for the next two years for the Labrador Caribou Initiative.

In this fiscal year, we will also conduct environmental assessments of former military radar sites in Labrador.

Other investments that we are continuing this year include \$100,000 in operational funding for the Combined Councils of Labrador and \$50,000 for the Labrador Aboriginal Nutritional and Artistic Program.

These initiatives are in addition to the programs and services that are being delivered through all departments in Labrador.

Mr. Speaker, as I highlighted earlier, we are phasing out the Temporary Gas Tax.

Accordingly, on June 1, the rebate for Labrador Border Zones, which was set at 10 cents per litre last year, will be reduced to 1.5 cents per litre until December 1, at which time it will be discontinued. These areas are Labrador West (Labrador City and Wabush) and Southern Labrador (from the Quebec border to and including the community of Red Bay).


As implemented in 2016, the Temporary Gas Tax on the north coast of Labrador will continue to be reduced to the point that the price per litre does not exceed \$1.55 or the temporary gas tax is fully reduced.

Infrastructure

Mr. Speaker, analysis has shown that targeted infrastructure investments are a key driver of economic activity. They provide valuable jobs during construction and support continued economic growth once operational. Our government spoke with key stakeholders from industry and the public, and what we heard was clear; plan further in advance.

Accordingly, our government is proud of our commitment to a five-year, \$3 billion infrastructure plan. This will result in the equivalent of 4,900 full-time jobs on an annual basis. It will also allow businesses to better plan, and most importantly Mr. Speaker, it allows cost savings to be passed on to government.

Just as an example of how better planning leads to better outcomes, two years ago approximately 166 kilometres of roads were paved at a cost of \$53.3 million. Last year, we paved 256 kilometres for \$47.7 million. That is 90 more kilometres of road, for \$5.6 million less.



We have also made significant multi-year commitments to roads. We are committing \$77.2 million to the Provincial Roads Program and \$21.2 million to continue development of the Team Gushue Highway. We are investing in roads because they are a tangible connection for us across this vast province.

Industry and Business

Mr. Speaker, we have set a stronger, more diversified province as a priority in realizing Newfoundland and Labrador's potential. Through investments in health care, education, transportation infrastructure and directly in small businesses, we are supporting community and economic growth.

Budget 2017 recognizes the need for strengthening Newfoundland and Labrador's economic foundation and providing real actions to achieve our goals. Through strategic investments in industry and business, we can build the foundation to long-term success.

Newfoundland and Labrador is home to increasingly innovative and knowledge-driven industries – whether it is ocean technology or aerospace and defence, our companies are operating on the global stage. Our province's advanced technology sector is valued at more than \$1.6 billion and employs close to 4,000 employees.

Through available business and economic development programs we will assist them as they expand their markets and ultimately expand their workforce.

Our \$14.4 million investment in economic and business programs will also support communities and other groups as they identify projects that can serve as a catalyst for new business activity.

Mr. Speaker, our government is proud of our culture and rich tourism products. We must continue to identify product opportunities where we can leverage this uniqueness.

This year, we are contributing more than \$20 million to support culture and heritage initiatives. In addition to this funding, we are also allocating \$13 million to continue to market our tourism destination and we are increasing the Newfoundland and Labrador Film Development Corporation's Equity Investment Program by \$2 million.

As a government, we believe that there is untapped potential in our province's more traditional, rural-based industries. We see these industries as holding the potential for job creation and new economic activity.

In particular, our fishery has sustained our communities and economy for generations. Through investments we can support younger people and existing fish harvesters to capitalize new opportunities in an old industry.

Through Budget 2017, approximately \$5 million is available for investment in the wild fishery and aquaculture industries. This funding will leverage significant investment from the private sector and the Federal Government.

Some examples include funding for Aquaculture Capital Equity Investment Fund and the Seafood Innovation Transition Program, which supports technology and innovation in harvesting processing, aquaculture and marketing.


As we prepare for the revitalization of the cod fishery, our Fisheries Advisory Council, with an investment of \$100,000, will provide industry stakeholders with the opportunities to present advice on important issues.

Mr. Speaker, in February our government announced that we would be making more Crown land available for agriculture development. This is an example of how our government is creating an environment for entrepreneurs to excel while improving our province's ability to be more food self-sufficient.

To assist these efforts, we are increasing the available land for agriculture; effectively doubling the land mass available for this industry. By giving the land back to Newfoundlanders and Labradorians we are making significant investments in our future.

We recognize our role in growing this industry and are committing \$3.9 million to continue the five-year, \$37 million Growing Forward 2 initiative, which is a cost-shared project with the Federal Government.

Budget 2017 is committing \$3.25 million to the Provincial Agrifoods Assistance Program so that we can continue developing agriculture land, growing the industry, and improving our food self-sufficiency. We are also committing \$1 million to continued research into crops, such as canola, that may now be able to successfully grow in our province. Finally, we are committing \$500,000 to continue development of our provincial cranberry industry.



Mr. Speaker, now is not only the time for investments off our coast, but it is also the time for investments on, and under, the land. Mining and resource extraction is a significant contributor to the economy of this province, employing some 7,000 people. As an example, Tata Steel has built a \$1 billion iron ore processing facility on the Labrador Trough. While the sector is currently experiencing a general reduction in global commodity prices, the cyclical nature of the industry holds promise that prices will again rise, and it is the job of government to help industry prepare for that growth.

It is generally the best informed companies that succeed in the global mining industry, and a comprehensive geological survey is providing Newfoundland and Labrador with a competitive edge to attract investment. That is why we are proud to continue our commitment of close to \$5 million in the Geological Survey which maps our diverse geology and provides sophisticated geoscience. By expanding on the database of available geological information, we can attract global investment to our shores. In addition, we are investing \$1.7 million for the Mineral Incentive Program including an additional \$200,000 in the Junior Exploration Assistance Program over the next two years to encourage mineral exploration and to support the mining industry.

We can also foster additional investments by acting as a funding partner for new developments which is why we are committing \$8 million to an Investment Attraction Fund, designed to encourage and support foreign direct investment in Newfoundland and Labrador.

Conclusion

Mr. Speaker, our path is certain. With The Way Forward providing us with the guiding principles of developing a smarter approach to governance and management, we are methodically and responsibly redesigning government to address our economic, social and fiscal challenges.

Our focus will always be on positioning our province to be an ideal place to raise a family, with a competitive work and business environment. In order to return to fiscal balance we must think and act in a way that is long-term. We can no longer afford to be bound by short-term reactionary thinking.

This budget reflects our commitment to a stronger economic foundation, a more efficient public sector, better services and better outcomes.

Mr. Speaker we would like to thank all of those who have provided input into this budget. The many submissions we received have help shaped our decisions. I would also like to acknowledge the tremendous amount of work that is done by public service employees, especially in the days leading up to budget day. The expertise and professionalism in our departments is evident to us and we place great value in the work you do.

Thank you.

BUDGET 2017

Page

STATEMENTS:

I	Consolidated Statement of Operations	ii
II	Consolidated Statement of Cash Flows	iii
III	Consolidated Change in Net Debt	iv

SCHEDULES:

I	Revenue By Source	v
II	Expenses By Department	vi
III	Expenses By Object	vii
IV	Consolidated Borrowings	viii
V	Where the Revenue Comes From	ix
VI	Where the Expenses Go	x

STATEMENT I
PROVINCE OF NEWFOUNDLAND AND LABRADOR
CONSOLIDATED STATEMENT OF OPERATIONS
2017-18 AND 2016-17 REVISED

	2017-18	2016-17	
	Budget	Revised	Budget
	(\$000)	(\$000)	(\$000)
REVENUE			
Provincial			
Taxation	3,924,589	3,717,158	3,703,129
Investment	72,622	70,047	68,171
Fees and Fines	516,789	511,618	509,425
Offshore Royalties	881,682	962,455	502,100
Other	245,966	387,083	400,394
Government of Canada	<u>1,256,250</u>	<u>1,223,563</u>	<u>1,184,752</u>
Total Revenue before Government Business Enterprises and Partnerships	6,897,898	6,871,924	6,367,971
Net Income of Government Business Enterprises and Partnerships	<u>441,047</u>	<u>447,940</u>	<u>408,350</u>
Sch. I TOTAL REVENUE	<u>7,338,945</u>	<u>7,319,864</u>	<u>6,776,321</u>
EXPENSE			
Sch. II General Government Sector and Legislative Branch	1,881,392	2,179,414	2,230,721
Sch. II Resource Sector	1,426,006	1,478,505	1,478,245
Sch. II Social Sector	<u>4,809,098</u>	<u>4,742,252</u>	<u>4,772,391</u>
Sch. III TOTAL EXPENSE	<u>8,116,496</u>	<u>8,400,171</u>	<u>8,481,357</u>
ANNUAL DEFICIT BEFORE ADJUSTMENT	<u>(777,551)</u>	<u>(1,080,307)</u>	<u>(1,705,036)</u>
Revenue Risk Adjustment	<u>-</u>	<u>-</u>	<u>(125,000)</u>
ADJUSTED ANNUAL DEFICIT	<u>(777,551)</u>	<u>(1,080,307)</u>	<u>(1,830,036)</u>

Notes:

- (i) This Statement includes estimated financial activity by departments and organizations in the Government Reporting Entity.
- (ii) This Statement is recorded on an accrual basis, whereas the Estimates are prepared on a modified cash basis in accordance with the Financial Administration Act to present 2017-18 departmental spending appropriations to the House of Assembly.
- (iii) Revenue risk adjustment provided a contingency against adverse revenue impacts, encompassing potential commodity price fluctuations.

STATEMENT II
PROVINCE OF NEWFOUNDLAND AND LABRADOR
CONSOLIDATED STATEMENT OF CASH FLOWS
2017-18 AND 2016-17 REVISED

	2017-18	2016-17
	Budget	Revised
	(\$000)	(\$000)
Funds Provided from (Applied to):		
OPERATIONS		
Annual Deficit	(777,551)	(1,080,307)
Add / (Deduct) Non-Cash Items:		
Amortization of Tangible Capital Assets	274,543	267,498
Retirement Costs		
Pension	321,360	535,990
Other Post-Employment Benefits	35,660	32,485
Other Retirement Costs	1,513	1,545
Sinking Fund Earnings	(60,858)	(56,351)
Other	(16,055)	(587,243)
Net Cash Applied to Operating Transactions	(221,388)	(886,383)
CAPITAL		
Net Acquisitions of Tangible Capital Assets	(479,408)	(784,591)
Net Cash Applied to Capital Transactions	(479,408)	(784,591)
FINANCING		
Borrowings	400,000	2,925,000
Debt Retirement	(89,420)	(86,093)
Retirement of Promissory Notes	(64,572)	(35,989)
Net Cash Provided from Financing Transactions	246,008	2,802,918
INVESTING		
Investment in Government Business Enterprises	(710,400)	(1,074,397)
Net Investment in Other Projects	(23,100)	(32,666)
Net Cash Applied to Investing Transactions	(733,500)	(1,107,063)
Net Cash Provided (Applied)	(1,188,288)	24,881
Cash and Temporary Investments - Beginning of Period	2,268,709	2,243,828
Cash and Temporary Investments - End of Period	1,080,421	2,268,709

**STATEMENT III
PROVINCE OF NEWFOUNDLAND AND LABRADOR
CONSOLIDATED CHANGE IN NET DEBT
2017-18 AND 2016-17 REVISED**

	2017-18 Budget	2016-17 Revised
	(\$000)	(\$000)
CHANGE IN NET DEBT		
Net Debt - Beginning of Period	14,251,453	12,654,053
Deficit for the Period	777,551	1,080,307
Change in Tangible Capital Assets		
Acquisition of Tangible Capital Assets	479,408	784,591
Amortization of Tangible Capital Assets	(274,543)	(267,498)
Increase in Net Book Value of Tangible Capital Assets	204,865	517,093
Increase (Decrease) in Net Debt	982,416	1,597,400
Net Debt - End of Period	15,233,869	14,251,453
NET DEBT SUMMARY		
Unfunded Pension Liability	2,840,082	2,775,558
Unfunded Retirement Benefits Liability	2,936,957	2,848,427
Plus: Promissory Notes	4,316,733	4,381,305
	10,093,772	10,005,290
Sch. IV Borrowings - Net of Sinking Funds	10,846,569	10,492,614
Debt	20,940,341	20,497,904
Other Financial Liabilities less Financial Assets	(5,706,472)	(6,246,451)
Net Debt	15,233,869	14,251,453
DEBT TRANSACTIONS		
Debt - Beginning of Period	20,497,904	16,402,746
Debt Retirement, Treasury Bills and Sinking Funds	(46,045)	(1,406,635)
Borrowings	400,000	2,925,000
Increase in Promissory Note Issuances	-	1,814,122
Increase (Decrease) in Promissory Notes	(64,572)	(35,989)
Increase (Decrease) in Unfunded Pension Liability	64,524	720,977
Increase (Decrease) in Post-Retirement Benefits Liability	88,530	77,683
Debt - End of Period	20,940,341	20,497,904

SCHEDULE I
PROVINCE OF NEWFOUNDLAND AND LABRADOR
REVENUE BY SOURCE
2017-18 AND 2016-17 REVISED

	2017-18 Budget (\$000)	2016-17 Revised (\$000)
Provincial		
Taxation		
Personal Income Tax	1,625,828	1,602,559
Sales Tax	1,238,367	1,105,230
Gasoline Tax	273,824	317,364
Payroll Tax	136,981	143,414
Tobacco Tax	161,649	160,276
Corporate Capital Tax	35,651	33,659
Corporate Income Tax	342,227	227,201
Mining Tax and Royalties	37,229	56,596
Insurance Companies Tax	72,833	70,859
	<u>3,924,589</u>	<u>3,717,158</u>
Investment		
Sinking Fund Earnings	60,858	56,351
Interest Revenue	11,764	13,696
	<u>72,622</u>	<u>70,047</u>
Fees and Fines		
Vehicle and Driver Licenses	95,650	94,650
Registry of Deeds, Companies and Securities	33,801	33,555
Fees, Fines and Forfeitures	387,338	383,413
	<u>516,789</u>	<u>511,618</u>
Offshore Royalties	<u>881,682</u>	<u>962,455</u>
Other Provincial Revenues	<u>245,966</u>	<u>387,083</u>
Government of Canada		
Health Transfers	538,537	529,434
Social Transfers	197,706	195,663
Statutory Subsidies	9,710	9,710
Cost Shared and Other Federal Revenues	510,297	488,756
	<u>1,256,250</u>	<u>1,223,563</u>
Net Income of Government Business Enterprises and Partnerships		
Atlantic Lottery Corporation	138,300	137,400
Nalcor Energy	130,000	136,300
Newfoundland and Labrador Liquor Corporation	172,747	174,240
	<u>441,047</u>	<u>447,940</u>
TOTAL REVENUE BY SOURCE	<u><u>7,338,945</u></u>	<u><u>7,319,864</u></u>

SCHEDULE II
PROVINCE OF NEWFOUNDLAND AND LABRADOR
EXPENSES BY DEPARTMENT
2017-18 AND 2016-17 REVISED

	2017-18 Budget	2016-17 Revised
	(\$000)	(\$000)
General Government Sector and Legislative Branch		
General Government Sector		
Consolidated Fund Services	479,200	597,589
Executive Council	98,942	98,354
Finance	801,616	995,375
Government Purchasing	2,191	1,837
Public Service Commission	2,543	2,507
Service Newfoundland and Labrador	38,868	38,560
Transportation and Works	433,767	421,977
Legislative Branch		
Legislature	24,265	23,215
	<u>1,881,392</u>	<u>2,179,414</u>
Resource Sector		
Advanced Education, Skills and Labour	1,165,198	1,216,442
Fisheries and Land Resources	110,675	104,806
Natural Resources	44,997	48,310
Tourism, Culture, Industry and Innovation	105,136	108,947
	<u>1,426,006</u>	<u>1,478,505</u>
Social Sector		
Children, Seniors and Social Development	99,345	101,522
Education and Early Childhood Development	859,869	871,246
Health and Community Services	3,156,903	3,150,620
Justice and Public Safety	249,421	256,556
Municipal Affairs and Environment	305,886	228,284
Newfoundland and Labrador Housing Corporation	137,674	134,024
	<u>4,809,098</u>	<u>4,742,252</u>
TOTAL EXPENSES BY DEPARTMENT	<u><u>8,116,496</u></u>	<u><u>8,400,171</u></u>

Notes:

- (i) This Schedule includes expenses by departments and organizations in the Government Reporting Entity.

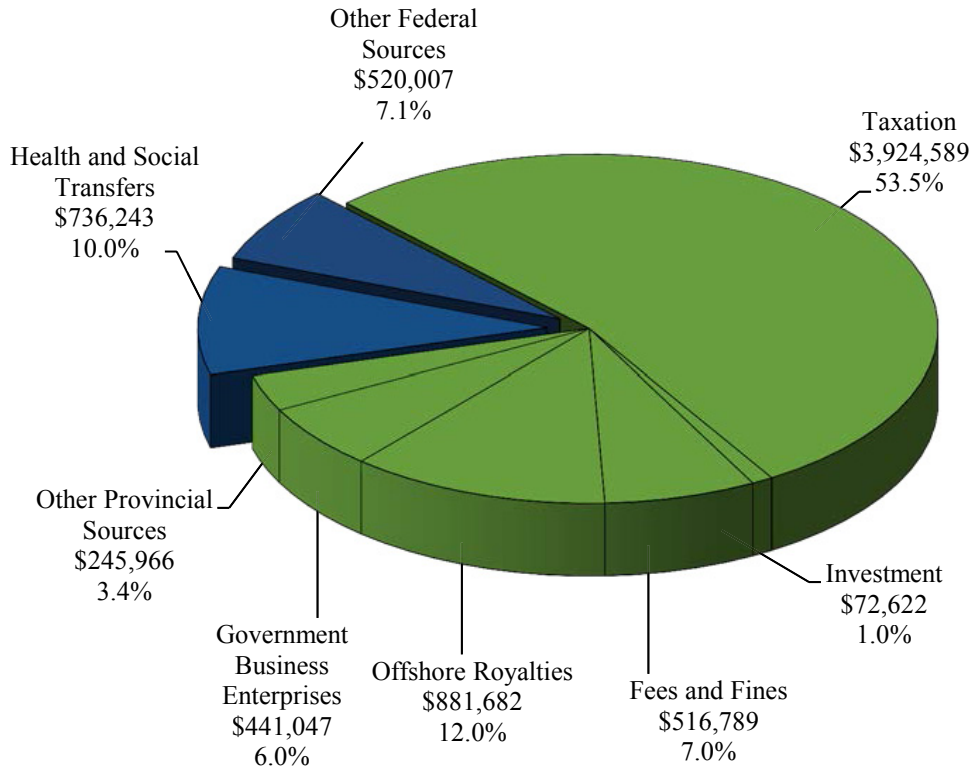
SCHEDULE III
PROVINCE OF NEWFOUNDLAND AND LABRADOR
EXPENSES BY OBJECT
2017-18 AND 2016-17 REVISED

	2017-18	2016-17
	Budget	Revised
	(\$000)	(\$000)
Salaries and employee benefits	3,278,921	3,697,271
Operating costs	1,238,459	1,256,926
Grants and subsidies	1,664,180	1,529,023
Debt expenses	1,112,322	1,112,039
Professional services	513,015	506,353
Amortization and (gain)/loss on the sale of tangible capital assets	274,543	267,498
Property, furnishings and equipment	32,465	30,629
Valuation allowances	2,591	432
TOTAL EXPENSES	<u>8,116,496</u>	<u>8,400,171</u>

SCHEDULE IV
PROVINCE OF NEWFOUNDLAND AND LABRADOR
CONSOLIDATED BORROWINGS
2017-18 AND 2016-17 REVISED

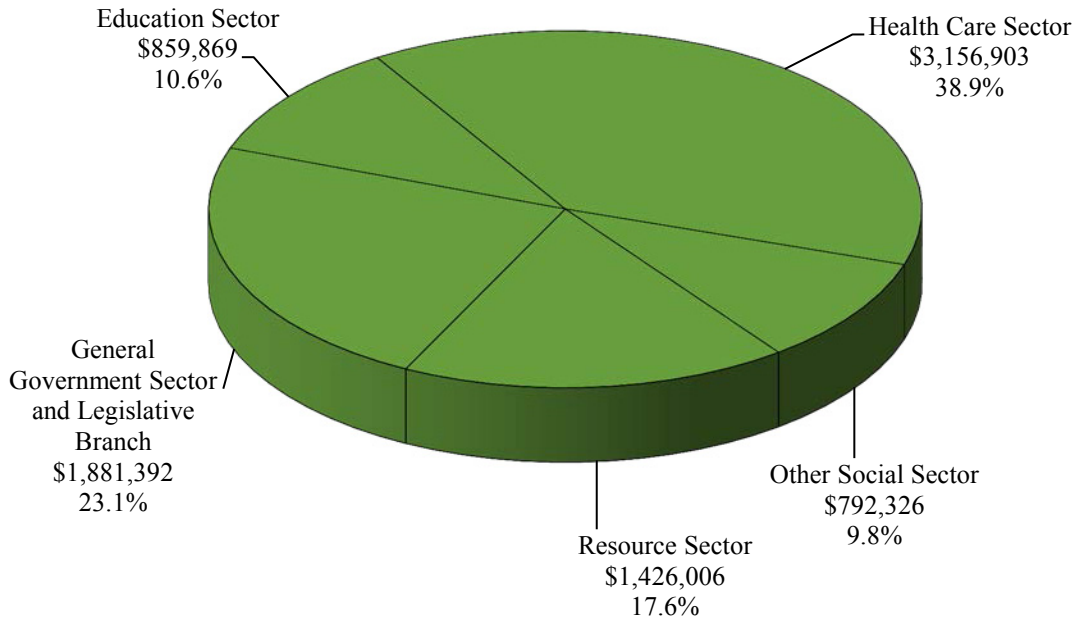
	2017-18 Budget	2016-17 Revised
	(\$000)	(\$000)
Consolidated Revenue Fund		
Treasury Bills	778,492	778,686
Debentures	10,934,337	10,534,337
Sun Life Assurance Company of Canada	76,144	76,144
Government of Canada	<u>306,313</u>	<u>306,356</u>
	12,095,286	11,695,523
Less: Sinking Funds	1,431,860	1,325,902
Plus: Unamortized Foreign Exchange Gains / (Losses)	<u>(192,214)</u>	<u>(216,311)</u>
	<u>10,471,212</u>	<u>10,153,310</u>
Newfoundland and Labrador Municipal Financing Corporation		
Debentures	<u>4,066</u>	<u>6,732</u>
	<u>4,066</u>	<u>6,732</u>
Newfoundland and Labrador Housing Corporation		
Debentures	<u>86,557</u>	<u>91,949</u>
	<u>86,557</u>	<u>91,949</u>
Other Debt		
Health Care Organizations	250,039	207,544
Educational Organizations	<u>13,545</u>	<u>13,542</u>
	263,584	221,086
Less: Sinking Funds	<u>(21,150)</u>	<u>(19,537)</u>
	<u>284,734</u>	<u>240,623</u>
TOTAL CONSOLIDATED BORROWINGS	<u>10,846,569</u>	<u>10,492,614</u>

SCHEDULE V
SUMMARY OF REVENUES (BY SOURCE)
WHERE THE REVENUE COMES FROM



Percentage of Total (%)		Source	Amount (\$000)	
Revised 2016-17	Budget 2017-18		Budget 2017-18	Revised 2016-17
Provincial:				
50.8	53.5	Taxation	3,924,589	3,717,158
1.0	1.0	Investment	72,622	70,047
7.0	7.0	Fees and Fines	516,789	511,618
13.1	12.0	Offshore Royalties	881,682	962,455
6.1	6.0	Government Business Enterprises	441,047	447,940
5.3	3.4	Other Provincial Sources	245,966	387,083
<u>83.3</u>	<u>82.9</u>	Total: Provincial	<u>6,082,695</u>	<u>6,096,301</u>
Government of Canada:				
9.9	10.0	Health and Social Transfers	736,243	725,097
6.8	7.1	Other Federal Sources	520,007	498,466
<u>16.7</u>	<u>17.1</u>	Total: Government of Canada	<u>1,256,250</u>	<u>1,223,563</u>
<u>100.0</u>	<u>100.0</u>	Total Revenue	<u>7,338,945</u>	<u>7,319,864</u>

**SCHEDULE VI
SUMMARY OF EXPENSES (BY SECTOR)
WHERE THE EXPENSES GO**



Percentage of Total (%)		Expense by Sector	Amount (\$000)	
Revised 2016-17	Budget 2017-18		Budget 2017-18	Revised 2016-17
10.4	10.6	Expense:		
37.5	38.9	Education Sector	859,869	871,246
8.6	9.8	Health Care Sector	3,156,903	3,150,620
17.6	17.6	Other Social Sector	792,326	720,386
		Resource Sector	1,426,006	1,478,505
25.9	23.1	General Government Sector and Legislative Branch	1,881,392	2,179,414
<u>100.0</u>	<u>100.0</u>	Total Expense	<u>8,116,496</u>	<u>8,400,171</u>