

Finance

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Working Towards a Brighter Future – Budget 2019 Maintains Focus on Financial Sustainability While Delivering on Priority Investments

The Honourable Tom Osborne, Minister of Finance and President of Treasury Board, today released Budget 2019: Working Towards a Brighter Future, which maintains government's commitment to long-term financial sustainability while also supporting job and industry development and improving access to government services.

Budget 2019 reflects the priorities of Newfoundlanders and Labradorians with advancements in health care and education and a focus on job creation and economic growth. Highlights include:

- ▶ Introducing Eye See Eye Learn Program with the Newfoundland and Labrador Association of Optometrists to provide children starting in kindergarten with free comprehensive eye exams.
- ▶ Allocating \$2.5 million, growing to \$5 million in following years to implement the Autism Action Plan.
- ▶ The addition of 15 new drug therapies to the Newfoundland and Labrador Prescription Drug Program, eight of which are for oncology.
- ▶ Lifting the age cap for those currently enrolled in the Insulin Pump Program to ensure continued coverage for individuals who rely on the program.
- ▶ Improving access to affordable child care through an investment of approximately \$60 million, which will build on 1,000 child care spaces that have already been created.
- ▶ Continuing to implement the Education Action Plan, with \$13 million toward added classroom resources to improve student outcomes.
- ▶ Investing \$3 million to create a Digital Ocean Innovation Centre of Excellence to enhance the province's digital capabilities in emerging technology sectors while supporting the goals of Advance 2030.
- ▶ Accelerating growth in the ocean technology industry with an investment of \$2.5 million in a new 36,000 square foot facility at the Marine Institute's Holyrood Marine Base.
- ▶ Introducing targeted programs in the aquaculture and mining industries at the College of the North Atlantic campuses in Burin and Grand-Falls Windsor in fall 2019 to help create new employment opportunities in key provincial industries.
- ▶ Taking advantage of growing opportunities in the global aerospace industry, including establishing a non-destructive testing training program at the Gander College of the North Atlantic campus, introducing an aircraft training facility in St. John's and exploring opportunities to expand provincial maintenance, repair and overhaul operations.

- ▶ A \$594.3 million investment in infrastructure, which is part of government's rolling five-year infrastructure plan from 2019-20 to 2023-24 at \$3 billion. This spending will support new and existing schools, roads and bridges, affordable housing and municipal infrastructure, and will generate 5,100 person years of employment.
- ▶ \$600,000 to advance construction of a new adult correctional facility in St. John's to replace Her Majesty's Penitentiary and \$1 million to expand the Labrador Correctional Centre in Happy-Valley Goose Bay.

The deficit for 2018-19 is \$522 million, marking an improvement from mid-year when the deficit was projected to be \$547 million.

Government will realize a surplus of \$1.92 billion in 2019-20 while projecting deficits in 2020-21 and 2021-22. While this year's surplus is positive short-term news as a result of the new and guaranteed revenue stream the province secured through its Atlantic Accord agreement, government remains focused and on track with its plan to return to an ongoing surplus in 2022-23 through The Way Forward Plan to put the province on stable financial footing.

Oil prices continued to show volatility in the 2018-19 fiscal year while moving above 2017-18 prices. In Budget 2019, government is forecasting its oil price at US\$65 per barrel for 2019-20. This forecast is based on independent industry analysts and an oil risk adjustment of US\$1 per barrel in 2020-21, \$2 per barrel in 2021-22, and \$3 per barrel in 2022-23.

Expenses in 2019-20 are projected at \$8.43 billion. This represents an increase of \$152 million compared to 2018-19 projected revised. This increase is a result of 100 per cent cost shared and cost recoverable expenses of \$130 million and \$27.4 million in one-time expenses, offset by other expenses savings of \$5.7 million. When compared to Budget 2018 projections, expenses are increased by \$183 million. An explanation of these expenses is found in the backgrounder below.

Borrowing in 2018-19 was \$1.425 billion, a decrease of \$25 million from Budget 2018 projections. For Budget 2019, borrowing will be \$1.2 billion, which is lower than the forecasted borrowing from Budget 2018 as a result of increased cash flow from Atlantic Accord funding.

Quote

"Budget 2019 recognizes the effectiveness of our balanced approach to fiscal management. Over the past four years we have steadily improved the province's fiscal situation while continuing to advance programs and services that are important to the people of this province. We are proud of the advances we have made and we are excited to continue Working Towards a Brighter Future for the people of Newfoundland and Labrador."

Honourable Tom Osborne

Minister of Finance and President of Treasury Board

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Budget 2019 - gov.nl.ca/budget2019

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BACKGROUNDER

One-time expenses and 100 per cent cost-recoverable expenses in Budget 2019

Expense	Cost	Explanation
100 per cent federally-funded initiatives	\$125.2 million	Spending fully recovered by the province through Federal Funding
100 per cent revenue offset	\$5.6 million	Other provincial sources, such as CNLOPB and Workplace NL recoveries.
New oil and gas corporation	\$36.4 million	Previously, these expenses would have been applied against the net income of Nalcor. The new oil and gas corporation is an independent entity and their expenses are now shown as a program grant expense.
Election 2019	\$6.3 million	One-time expense which occurs in election years for "Elections NL" costs.
Inquiries	\$11.1 million	One-time funding for inquiries including Muskrat Falls and Search and Rescue.
Little Bay Islands relocation	\$10 million	One-time costs for the relocation of Little Bay Islands.
Democratic Reform	\$250,000	Costs associated with the democratic reform process.
TOTAL	\$194.9 million	

Expense Impact

	2018-19 (Projected Revised)	2019-20 Projection at Budget 2018	2019-20 Budget 2019	Variance Year over Year
Expenses	\$8.27 billion	\$8.24 billion	\$8.43 billion	\$183 million