

Budget 2021

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Budget 2021
Technical Briefing
May 31, 2021


Newfoundland
Labrador

Introduction

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- This budget sets direction to modernize and transform government, to improve service delivery, and to address our financial concerns. It sets a path for emerging from COVID-19, for investments and savings to grow the economy and create jobs for a sustainable future.
- In the last year, strong fiscal management and greater revenue have helped alleviate the continued effects of a volatile oil industry and a pandemic that has caused a global economic crisis.
- Projected deficit 2020-21: \$1.84 billion; actual \$1.64 billion
- Despite our improved performance, solutions are needed to address long-standing structural issues such as the high cost of providing services to nearly 600 communities across a large geography, chronic deficits, dependence on volatile oil revenues, as well as a declining and aging population.
- Projected deficit 2021-22: \$826 million
- The multi-year forecast will put the province in a surplus position in 2026-27

Budget Highlights

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- Financial Information
- Transforming Government
- Taxation
- Investments

Financial Information

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Economic Forecast

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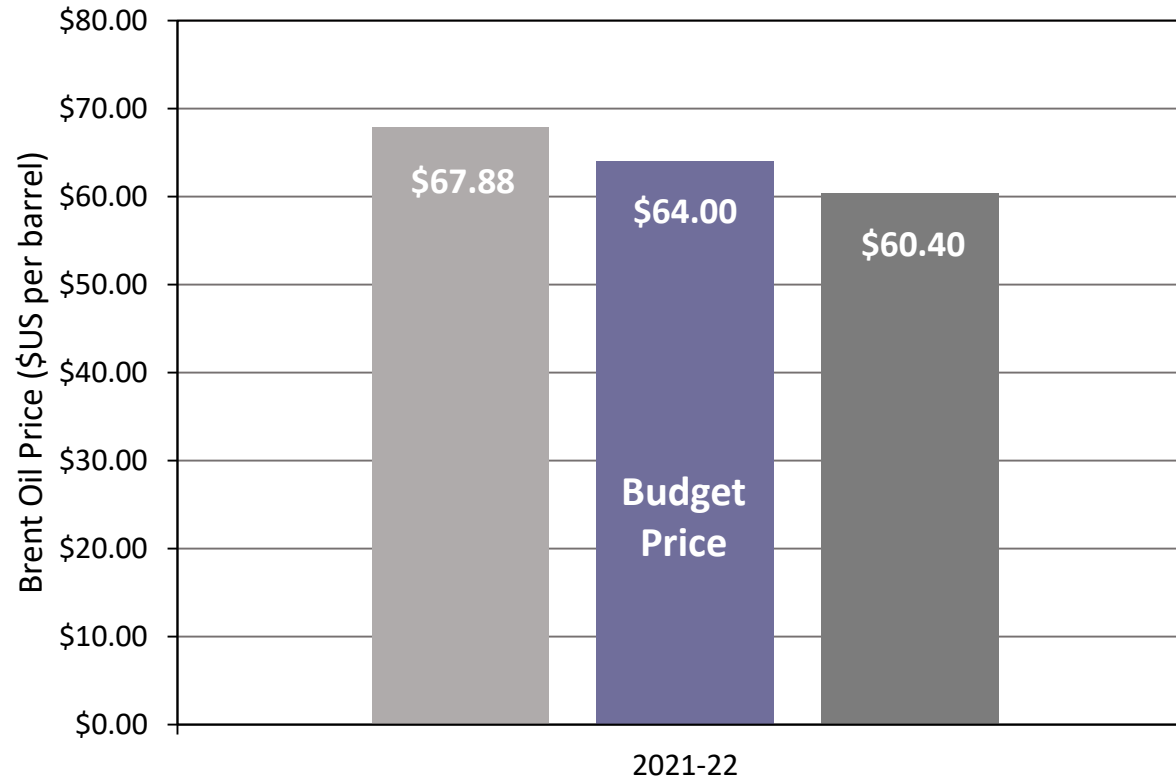
Economic Forecast - NL	2020 Levels	% Change					
		2020	2021	2022	2023	2024	2025
Nominal GDP (\$M)	31,494*	-10.9	16.2	1.7	2.5	0.3	1.4
Real GDP (\$2012 millions)	32,281	-5.3	5.6	2.6	3.1	0.1	0.1
Household Income (\$M)	27,177*	2.9	2.9	1.9	1.2	1.7	2.0
Retail Sales (\$M)	9,124	1.4	5.6	2.8	1.0	1.2	1.7
Consumer Price Index (2002=100)	139.6	0.2	2.4	1.8	1.6	1.8	2.0
Housing Starts (units)	763	-19.3	19.5	11.4	-9.1	-12.1	-7.0
Capital Investment (\$M)	7,216*	-21.3	-2.7	11.4	1.2	1.6	-3.7
Population (thousands)	522.1	-0.3	-0.3	-0.2	-0.1	0.1	0.2
Employment (thousands of PYs)	214.0	-5.7	2.6	3.7	-0.5	-0.5	-0.2
Unemployment Rate (%)	14.1	14.1	13.7	11.1	11.2	11.5	11.7
Oil Production (Millions of bbls)	104.0	104.0	98.8	94.7	103.0	100.3	100.8

*Note: * indicates Department of Finance estimates for 2020*

Shaded values represent the actual unemployment rate and oil production levels, not growth rates.

Oil Royalties Forecast and Assumptions (2021-22)

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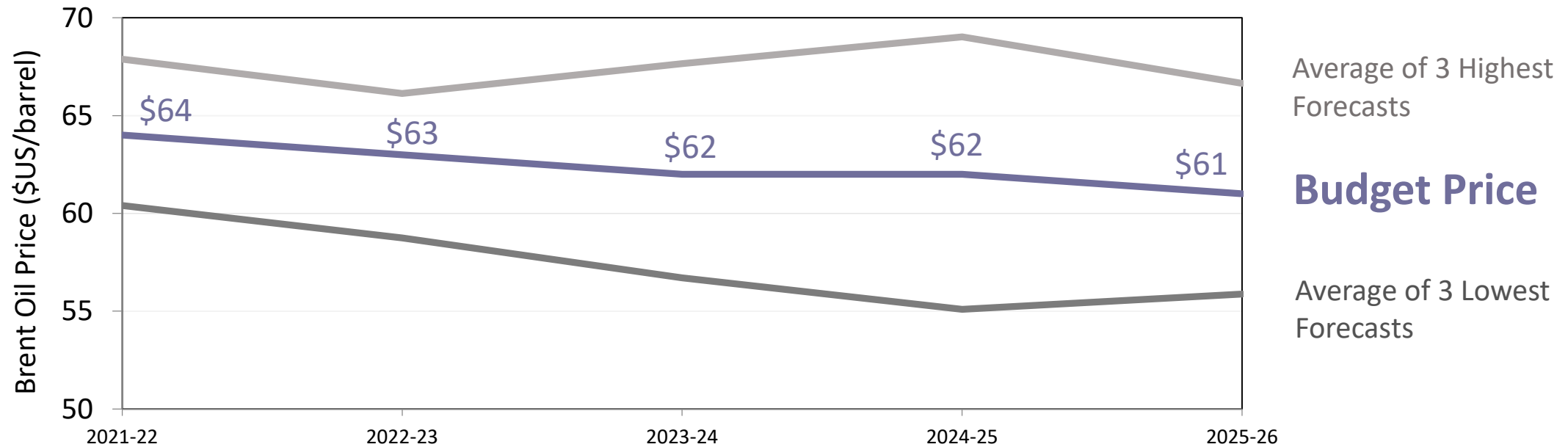
■ Average of 3 Highest Forecasts ■ Budget Price ■ Average of 3 Lowest Forecasts

Budget 2021	2021-22
Oil Royalties	\$1,059.3 million
Oil Price (\$US/barrel)	\$64
Exchange Rate (CAD to USD)	0.796

Sensitivities	Change in Royalties (\$M)
Oil Price (\$US/barrel)	
- 1 \$US/barrel	-19.0
+ 1 \$US/barrel	+19.0
Exchange Rate (CAD to USD)	
- 1 US cent	+15.0
+ 1 US cent	-15.0

The Province's oil price and exchange rate forecasts are developed based on a composite of 11 individual oil price forecasts available as of May 13, 2021, and the Government of Canada's Budget 2021 exchange rate assumptions.

Oil Price and Exchange Rate Forecasts



Exchange Rate	2021-22	2022-23	2023-24	2024-25	2025-26
CAD to USD Exchange Rate	0.796	0.798	0.809	0.810	0.810

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Statement of Operations 2020-21(\$M)

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	Budget	Revised	Variance
Revenue	7,129	7,089	(40)
Expenses	8,967	8,733	(234)
Surplus (Deficit) \$M	(1,838)	(1,644)	194

Statement of Operations 2020-21 to 2021-22 (\$M)

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	Original Budget 2020-21	Revised 2020-21	Budget 2021-22
Revenue	7,129	7,089	8,518
Expenses	8,967	8,733	9,344
Surplus (Deficit) \$M	(1,838)	(1,644)	(826)

Multi-Year Forecast

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	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue	8,518	7,898	8,142	8,156	8,339
Expenses	9,344	8,485	8,519	8,470	8,427
Surplus (Deficit) \$M	(826)	(587)	(377)	(314)	(88)

Other Key Financial Indicators (\$B)

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	Revised 2020-21	Budget 2021-22
Gross Borrowing	\$2.8	\$1.7
Net Borrowing	\$2.1	\$1.4
Net Debt	\$16.3	\$17.2

Transforming Government

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- Continuous improvement and program evaluation to ensure effective, efficient service delivery; accountability framework for Crown corporations and community agencies; all those in receipt of public monies
- Introduce balanced budget legislation
- Nalcor - Restructuring to streamline and remove duplication
- Memorial University – Provide greater autonomy; phase out tuition offset; improve needs based grants for new undergraduate students
- Integrate NL Centre for Health Information, NL911, NL English School District into core government

Transforming Government (Cont'd)

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- Review other Crown corporations and organizations to determine where they are best positioned
- Implement integrated corporate service model to streamline the delivery of functions for the four regional health authorities (payroll, finance, accounting, human resources, procurement, information management and technology)
- Joint solutions to maintain or improve service delivery (e.g. ferry services, property management, provincial registries)
- Digitalizing government by building on the success of MyGovNL to provide better interactions with government

Taxation

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- Physical Activity Tax Credit - Up to \$2,000 (value up to \$174 per family)
 - \$7 million
- Personal Income Tax increase (only \$135,973 bracket and higher)
 - \$15.3 million annually
- Tobacco Tax increase: 3 cents per cigarette and 6 cents per gram on fine cut tobacco (includes rebate rate for Labrador Border Zones)
 - \$13 million annually
- Sugar Sweetened Beverage Tax - 20 cents per litre, effective April 1, 2022
 - \$8.7 million annually

Investments

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- \$30 million - Tourism and Hospitality Support Program, which includes support for artists (Covid-19)
- \$25 million - Improve cellular and broadband service in underserved areas (across 3 years)
- \$20 million – Assistance for small business and community organizations (Covid-19)
- More than \$13 million to maintain key staffing and supports in K-12 education for the current school year, and to maintain increased administrator and guidance counsellor positions for the upcoming school year (Covid-19)

Investments (Cont'd)

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- \$1 million - Transition of homes with oil as sole source of heat to electricity - rebate up to \$2,500
- \$0.5 million - Electric Vehicle Adoption Accelerator program, to encourage the purchase of new electric vehicles – rebate of \$2,500 to consumers
- \$0.5 million - Mother/Baby Nutrition Supplement for low income pregnant mothers and families with children under age one, will increase this monthly support to \$100 – up from \$60 per month.
- \$8.6 million - New drugs under the Provincial Prescription Drug Program
- \$8 million - Film and Television Equity Investment Program

Investments (Cont'd)

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- \$3 million - 2025 Canada Summer Games - operating funding to the City of St. John's to host
- More than \$2 million over the next two years for a new online application system to make it easier for potential newcomers to Canada to settle in Newfoundland and Labrador
- \$1 million - to attract prospective residents from other parts of Canada and around the world (\$2 million annualized)
- \$200,000 - To help newcomers adapt to their new home and help build a sense of belonging to the community

Thank You

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