**Speaking Notes**

**Pre-Budget Consultations 2017**

* Thank you for being here and participating in one of 11 pre-budget consultations taking place across the province, which are being hosted by Ministers and Parliamentary Secretaries.
* Last year we realized if no action was taken in Budget 2016, our projected 2016-17 deficit would have been $2.7 billion. Through a series of actions, we reduced that projected deficit significantly, to $1.58 billion, a difference of $1.1 billion.
* While these improvements are steps in the right direction, our government recognizes that there is still much work to do, and we have been taking action in that regard.
* In November 2016, our government launched *The Way Forward: A Vision for Sustainability and Growth in Newfoundland and Labrador*. The vision will guide Provincial Government actions to achieve greater efficiency, strengthen the province’s economic foundation, enhance services, and improve outcomes to promote a healthy and prosperous province.
* In the spirit of continuous improvement, it is our intention to adapt and add to *The Way Forward*, and these consultations are your opportunity to shape new initiatives and guide our vision.
* We want to hear from you about our plan as outlined in *The Way Forward*, and on how we can do more to find short and long-term sustainable solutions for this province’s finances. We have taken steps over the last year to address Newfoundland and Labrador’s very serious fiscal situation and we need to continue to take action to ensure we return to surplus by 2022-23.
* Your feedback and ideas will help guide our budget decisions. Before we get to that, I would like to give a brief financial overview.

**Slide 2**

* While steps have been taken to address the province’s very serious financial situation, our province still faces serious fiscal challenges.
* I want to be clear, as committed when Budget 2016 was released last year, there will be no tax increases in Budget 2017.
* We must continue to work together to find ways to create efficiencies and improve service delivery. We are looking inside all government organizations for savings and identifying opportunities where we can work smarter and deliver services more efficiently.
* To date, government has reduced the size of its senior management. This includes the number of ministers, deputy ministers, and assistant deputy ministers and communications staff.
* We will continue to take a top down approach to addressing the size of core government, as well as agencies, boards and commissions.
* We are also taking a zero-based budgeting approach this year to government operations to justify every dollar that is being spent. There are no assumptions of approved funding.
* Achieving a flatter leaner management structure and using a zero-based budgeting approach are just two of more than 50 initiatives in “The Way Forward.”
* “The Way Forward” is a solid plan that will guide us as we improve the province’s financial situation. All actions in the document contribute to achieving the fiscal target set in Budget 2016: to return to surplus within seven years while maintaining efficient programs and services.
* We remain committed to practicing strong fiscal management. We need to continue to take action to ensure the province is in a strong financial situation and returns to surplus in 2022-23.

Slide 3

* During the Fall Fiscal and Economic Update, we advised that our Government has improved the Province’s financial situation with respect to the targets set during Budget 2016.
* This year’s deficit is now projected to be $1.58 billion – just under $250 million dollars less than estimated at Budget time.

Slide 4

* To understand how we can address our financial crisis, we must first understand how we spend our money.
* We are currently spending approximately 25 per cent more than the revenues we take in. This current level of spending is not sustainable given the size of our economy, population and revenue base.
* The largest demand on our spending continues to be the healthcare sector, consuming approximately 37 per cent of the budget. Debt expenses, which are the interest costs we pay for borrowing, consumes approximately 13 per cent of the budget.

Slide 5

* We can look at our spending along two broad categories:
	+ Operating expenses, including programs and services
	+ Salaries and employee benefits
* As of the 2016 Fall Update, Government’s operating expenses were spent as follows:
	+ Debt Expenses or Interest Costs – 23%
	+ Regional Health Authorities – 21%
	+ Core Government – 20%
	+ Medical Care Plan – 15%
	+ Income Support – 5%
	+ Memorial University – 5%
	+ Other ABCs (RDC, Student Loan Corp, MMSB, NLCHI) – 3%
	+ Assistance to Municipalities – 3%
	+ School Boards – 2%
	+ Newfoundland Labrador Housing Corporation – 2%
	+ College of the North Atlantic – 1%

Slide 6

* Total Government employee salaries and benefits cost $3.8 billion annually, or 45 per cent of total expenses. And we have an additional $8 billion more of employee benefit commitments on the horizon.
* We are working with unions to come up with productive ways to reach collective agreements that are fair to employees, while being responsible in the spending of taxpayer dollars.
* We must work together to create a more efficient and modern public service. We will engage our public sector unions in a collaborative process of seeking solutions to our fiscal sustainability challenge.
* As of the 2016 Fall Update, Government’s salary dollars were spent as follows:
	+ Regional Health Authorities – 39%
	+ Core Government – 21%
	+ School Boards – 18%
	+ Memorial University – 11%
	+ Pensions and Other Post-Employment Benefits – 6%
	+ College of the North Atlantic – 3%
	+ Other ABCs (RDC, Student Loan Corp, MMSB, NLCHI) – 2%

Slide 7

* This Province spends considerably more per person than the rest of Canada. This higher expenditure is historical and began to accelerate sometime during the mid to late 2000’s. In addition, while the per person spending of the other provinces have changed over the years, Newfoundland and Labrador has been, throughout this period, consistently the highest.
* Even though we bring in more provincial revenue on a per-person basis then any of the other provinces, we also spend more.

Slide 8

* This next slide is important as it explains oil royalties and it makes clear that we cannot solve our fiscal situation through oil royalties alone. Our fiscal problems were not caused by a drop in oil revenue, but instead, exposed by that drop.
* Budget 2016 predicted oil royalties of $502 million at a price of approximately $55 per barrel, which was revised in the 2016 Fall Update to be $58 per barrel. The current revised average price is $64 per barrel (updated for only the price and the exchange rate), which provides an estimated revenue of $667 million.
* A $10 increase in price per barrel only yields approximately an additional $165 million in revenue. Revenue alone cannot address the issue – we must reduce our expenses.
* Riding it out and waiting for the oil prices to rebound is not an option. We must take swift and definitive action to restore the financial health of our Province.
* If left unchecked, we face even more challenging times. Our borrowing requirements have already increased and if we don’t find a way to decrease our expenses, then the need to borrow will continue to grow which will increase our interest rates.

Slide 9

* Our vision is to achieve a strong, diversified province with a high standard of living. The determination and drive of Newfoundlanders and Labradorians will be supported by responsive, innovative and efficient programs and services. The Way Forward supports this vision in four focused areas.
* This year’s pre-budget consultations will be guided by the four focused areas of *The Way Forward,* which provides a solid plan to improve the Province’s financial situation while delivering effective programs and services.
* Your feedback is requested to identify priorities under these areas:
	+ A more efficient public service
	+ A stronger economic foundation
	+ Better services
	+ Better outcomes
* I will now ask officials from Communications and Public Engagement to lead us through a consultation process whereby you will be invited to provide your opinions and ideas on how best our Government can improve upon this Province’s very serious financial situation.
* Thank you.