

What if We Don't Act Now?

- **The deficit estimated for Budget 2020-21 is \$1.8 billion.**

The province has run deficits in seven of the last eight years, totaling \$6.4 billion.

YEAR	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Surplus (Deficit) (\$million)	(195.0)	(388.6)	(1,005.9)	(2,206.1)	(1,147.8)	(910.8)	(552.5)	1,117.2

- Net debt is currently \$14.4 billion. **If no action is taken, the province will run deficits for the next six years, with an estimated total of \$7.3 billion.**

YEAR	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Deficit if we do nothing (\$million)	(1,369.9)	(1,384.3)	(1,340.9)	(1,293.1)	(1,241.9)	(639.5)	(7,269.6)

- **The province will have to borrow cash to cover these deficits but:**
 - » The province's credit rating was downgraded last year. This means that Newfoundland and Labrador is seen as a higher credit risk by its lenders.
 - » Future borrowings may be at a higher interest rate due to perceived increased risk.
 - » Further credit rating downgrades may occur if no action is taken.



- Debt servicing is currently the **province's second largest expenditure**, behind health care, and is higher than K-12 education and post-secondary education. Without a plan of action, the province will continue to run high deficits each year and accumulate further debt, increasing its annual debt servicing cost.
- Increased debt servicing costs will mean that the province will have **LESS MONEY TO SPEND ON PUBLIC SERVICES SUCH AS HEALTH, EDUCATION AND INFRASTRUCTURE.**
- The province's unfunded pension liabilities total \$4.89 billion. **Despite pension reform six years ago, total liabilities are now nearly \$1 BILLION MORE THAN SIX YEARS AGO.**

- The province's various pension plans have 37,661 contributing members and 35,119 pensioners who are receiving benefits. With an aging workforce and a government attrition plan in place, retirements over the next five years could exceed new entrants to the workforce.

THIS WILL FURTHER INCREASE THE UNFUNDED LIABILITY OF PUBLIC SECTOR PENSION PLANS

unless action is taken.

- Debt payments over the next five years will total \$5.9 billion. Promissory note payments that the provincial government must pay as part of pension reform will total another \$1.6 billion over the next five years. **This totals \$7.5 billion and is in addition to the cash that will be required to cover annual operating deficits.**
- Given the deficits projected for the next 5 years, government will have to continue borrowing to meet these obligations if no action is taken. And there is no guarantee the province will be able to borrow indefinitely.