



# Highlights **Budget** 2005-2006

*Building a Stronger New Brunswick For All*



New  Nouveau  
**Brunswick**  
C A N A D A

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The 2005-2006 Budget presents to New Brunswickers a balanced budget that builds a stronger New Brunswick for all. It focuses on the same five clear objectives we set out in last year's budget.

First, invest in priorities. This budget provides record investment in New Brunswickers' top priorities of health and senior care and education and children.

Second, invest in job creation. This budget provides further tax relief over the next three years for small businesses to help create jobs, more capital investment and new community economic development programs.

Third, no tax increases. This budget does not raise any taxes or create any new taxes. In fact, it provides additional tax relief for New Brunswickers.

Fourth, stronger value for taxpayers. This budget reinforces our commitment to save money in back-office government operations in order to reinvest in front-line government services.

Fifth, balance the budget. This budget is balanced with a surplus and a reduction in net debt.

Today's budget responds to what many New Brunswickers have said to us over the past year. It reflects feedback we received from an extensive series of pre-budget consultations and forums to seek the input of New Brunswickers, from meetings with stakeholders, and through on-line and other submissions.

## ***Record Achievements***

Today's budget sets new records and new achievements.

Spending on health and senior care will increase by \$163.1 million to \$2.3 billion – a record high giving us more doctors and full-time nurses than ever before.

Spending on education will increase by \$38.5 million to \$1.2 billion – an all-time high giving us the highest level of investment per student ever.

Over 75 per cent of all new spending continues to be directed towards our top priorities of health care and education.

University funding will increase by 4.6 per cent this year for a total of 10 per cent over the past three years – the sixth consecutive increase.

Over the next three years, the New Brunswick small business corporate income tax rate will be lowered to one per cent and the income threshold will be increased to \$500,000 – making the best rate in Canada even better.

Capital expenditures for roads, highways, hospitals, schools and other priorities will increase three times faster than all other program spending, to help create jobs and better public infrastructure for New Brunswickers.

Net debt will be reduced in both the 2004-2005 and 2005-2006 fiscal years, for a cumulative reduction of over \$166 million since our first budget. The province's net debt-to-GDP ratio will be reduced for the sixth consecutive year to reach its lowest level since 1991-1992. And debt service costs as a per cent of total expenditures will be at their lowest level in over two decades.

### ***New Brunswick's Economic Outlook***

As the most trade-dependent provincial economy in Canada, New Brunswick is impacted by economic developments across Canada, in the United States, and around the world. The world economy grew strongly last year. Both the Canadian and United States economies grew at a robust pace in 2004. Canadian economic growth was constrained by the soaring Canadian dollar and high oil prices in particular – an impact that was felt in this province as well.

The Department of Finance estimates the New Brunswick economy reported a solid performance in 2004, expanding by 2.5 per cent. Many key economic indicators showed strong growth in 2004 compared to 2003. For example:

- Private and public capital investment increased 7.4 per cent to a record \$4.3 billion.
- Foreign exports of commodities increased 10.8 per cent to over \$9.4 billion, compared to an 8.6 per cent national increase.
- Manufacturing shipments rose 11.1 per cent, more than the national increase of 8.4 per cent.
- And, average weekly earnings in the province increased 3.0 per cent, nearly double the 1.6 per cent increase for Canada.

Job growth surged forward last year, with a record annual high of 350,400 New Brunswickers employed. The unemployment rate fell to 9.8 per cent and the provincial participation rate reached an all-time high of 63.9 per cent. The latest monthly numbers show we have created 28,000 net new jobs since June 1999.

Looking ahead for 2005, private sector economists predict that real GDP for New Brunswick will grow, on average, by 2.3 per cent. The Department of Finance prudently anticipates that growth will be 2.1 per cent, as both domestic and external demand for many natural resource commodities softens. Construction activity will continue to contribute to economic growth.

## 2004-2005 Fiscal Update

The 2004-2005 Budget reflected difficult decisions that allowed us to bring the budget into balance while continuing to invest in priorities. Those decisions have paid off for New Brunswickers.

We now anticipate a surplus of \$112.3 million and a reduction in provincial net debt of \$53.1 million for 2004-2005.

Gross consolidated revenue is projected to be \$210.1 million higher than budget, largely due to our successful negotiations with the federal government for additional health and equalization transfers to support priority services to New Brunswickers.

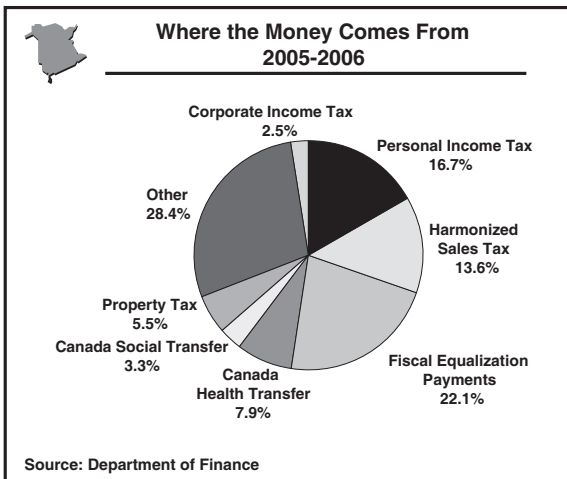
Meanwhile, gross consolidated expenditure increased by \$159.4 million, primarily due to the implementation of the Provincial Health Plan, as well as addressing wage settlements for nurses and hospital workers.

## 2005-2006 Fiscal Outlook

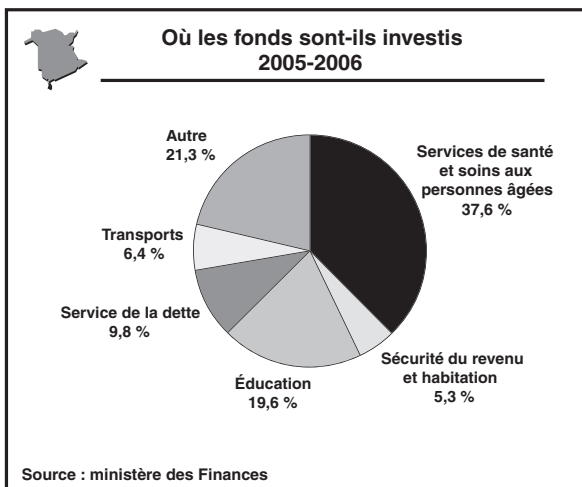
The 2005-2006 Budget continues this government's dedication to living within our means. It continues our commitment to investing in priorities that matter to people. It continues our focus on providing value to taxpayers. And it continues our plan to build new job opportunities for New Brunswickers.

This year's budget will be balanced with a surplus of \$98.9 million and a reduction in net debt of \$4.0 million.

Gross consolidated revenue is projected to be \$6.109 billion, up 2.9 per cent from revised 2004-2005 estimates.



Gross consolidated expenditure is estimated at \$6.105 billion, up 3.7 per cent from last year.



We will continue to work towards delivering balanced budgets and reducing our net debt-to-GDP ratio in the years ahead.

We want to go further in our commitment to fiscal responsibility to New Brunswickers. During this session, a new *Fiscal Responsibility Act* will be introduced that will provide further transparency and accountability in government finances, including additional fiscal performance measures.

### **Value for Taxpayers**

This budget reflects our continued commitment to find greater value for taxpayers in the operations of government. Initiatives underway that will redirect savings to priority areas include the Common Services Review, which has the objective of reducing costs by consolidating common services internal to government and school districts, and a review of non-clinical services in the health care system. The Workforce Adjustment Program has been extended to address the human resource impact of these specific initiatives.

Managing the wage bill is crucial to our collective efforts to balance the budget and invest more in the priorities of New Brunswickers. Every one per cent increase in the overall wage bill for public sector service providers results in an additional cost to taxpayers of approximately \$25 million. Reasonable wage increases will mean sustainable public services.

## ***Building a Stronger New Brunswick For All***

This government's budget plan will help to build a stronger New Brunswick for all. It contains new initiatives and reinforces existing ones in each of the four building blocks of our Prosperity Plan. It provides more investment under both the Provincial Health Plan and the Quality Learning Agenda.

Today's budget reinforces once more our focus on funding more in health and senior care and education. Since 1999, cumulative new funding for health and senior care will now total \$3.4 billion and \$1.2 billion for education.

With this budget, spending per person on health and senior care will have increased by \$1,187 or 63.5 per cent since we took office in 1999. Direct spending per student in Kindergarten to Grade 12 will have gone up by \$1,598 or 33.1 per cent since 1999.

### ***Education and Children***

This year's budget invests more in our education system than ever before. Total spending in education will rise to almost \$1.2 billion in this budget, a 3.3 per cent increase over 2004-2005.

Education funding for K-12 will increase \$23.0 million over last year's revised expenditures, to a total of \$752.8 million – the highest level ever. Initiatives under the Quality Learning Agenda will receive \$15.3 million more.

Today's budget will provide:

- New funding for 85 more teaching positions.
- \$2.5 million as part of our \$10 million, four-year Quality Classroom Resources Fund.
- \$1.1 million for the second year of the pilot laptop research program.
- \$0.7 million for the Quality Technology Infrastructure Enhancement Fund.

Our government has increased investments in universities and community colleges in each and every budget. Today, we go further than any previous government in providing more, new, and long-term increases in funding to our universities with two other major commitments.

First, funding for universities will increase by 4.6 per cent this year, meeting our commitment to increase funding by 10 per cent over three years. We will be increasing funding by a further three per cent in 2006-2007 and 3.4 per cent in 2007-2008, meeting our election platform commitment for a total increase of 13 per cent over the four years of this mandate.

Second, we will provide a \$20 million increase to the University Infrastructure Trust Fund, building on our initial \$15 million investment in 2002, for a total of \$35 million.

## **Health and Wellness**

This budget invests more in health and senior care than ever before. Total investment will rise to \$2.3 billion, an increase of 7.6 per cent over what was spent in 2004-2005.

Ordinary account funding for the Department of Health and Wellness will increase \$102.8 million over last year's revised expenditures – an increase of 6.1 per cent, with increased spending for Medicare, Hospital Services, Ambulance Services and the Prescription Drug Program.

Investing more in wellness is a key strategy under our Provincial Health Plan. We will spend \$2 million in 2005-2006 to promote healthy living for children and youth in the areas of physical activity, nutrition and healthy eating, tobacco cessation and mental health and resiliency.

Our Physician Recruitment and Retention Plan, begun during our first 200 days in office, is paying off. There are today 177 more doctors working in the province than there were in 1999. Additional measures announced by the Minister of Health and Wellness show that we are committed to doing even more.

Our Nursing Resource Strategy is also working. Today, there are 570 more full-time nurses working in the province than in 1999. We need to ensure we have sufficient nurses not just today, but in the future as well. That is why today's budget announces new funding for nursing programs of \$4.4 million, which includes the addition of 95 new nursing seats at UNB and the Université de Moncton.

Through the Provincial Health Plan, we are on track to creating a patient-focused health care system that is far more sustainable into the future than it would have been without these changes. Its vision is clear: provide the right care in the right way at the right time by the right provider at a cost New Brunswickers can afford.

Since the plan was released last June, the Minister of Health and Wellness has announced significant new investments: to expand flu immunization to include infants; add new vaccines to protect our teenagers against meningitis, chicken pox, whooping cough and pneumonia; invest \$3.8 million to strengthen the New Brunswick Heart Centre; establish four new satellite dialysis units; create a New Brunswick Cancer Network; expand the extra-mural program by hiring an additional 28 nurses and other health professionals; establish four methadone clinics; and strengthen ambulance services by expanding hours of operation and enhancing training.



### ***Families and Seniors***

Our ongoing support for families, children, persons with disabilities and seniors continues under this budget. The Department of Family and Community Services budget will receive an additional \$19 million this year, for a total budget of \$737.7 million.

Today's budget reflects:

- Social assistance rates will increase by six per cent over the next three years beginning with a two per cent increase this year – the largest increase since 1991.
- A 9.1 per cent increase in funding for nursing homes.
- A 10 per cent increase over the next three years for home support agencies.
- An investment of \$11.8 million in our Early Childhood Development Agenda.

Last December, this government introduced legislation to amend the *Assessment Act* to provide a provincial property tax exemption for non-profit low-income residential rental accommodation. This measure will provide much needed property tax relief to non-profit organizations that provide housing to low-income earners who need decent housing at affordable rents.

### ***Lower Taxes and More Jobs***

The personal and corporate income tax reductions introduced by this government have contributed significantly to investment, job creation, economic growth and prosperity. Our pro-growth strategy is producing results.

Since we took office, we have lowered taxes or created new tax incentives in each and every budget. Today's budget is no exception with measures that will further reduce the tax burden on people and enhance New Brunswick as a place to live and invest. This government has reduced personal income taxes at all income levels, particularly for lower income earners.

This budget provides an additional \$11 million in tax relief for New Brunswick taxpayers and working families beginning this year. As part of our objective of reducing provincial income taxes by five per cent, all provincial income tax credit amounts and tax brackets have been indexed to protect against inflation effective January 1, 2005. Indexation will be extended to include the Low-Income Tax Reduction. This measure will remove an additional 3,000 New Brunswickers from paying any provincial income tax.

As a result of tax relief measures we have provided so far, individuals and families have benefited from cumulative personal income tax relief of \$608 million. In 2005-2006 alone, New Brunswickers will realize savings of \$137 million.

We have made significant progress in creating a competitive edge for businesses in New Brunswick. This budget confirms our determination to support small business when it comes to staying competitive and creating jobs.

Effective July 1, 2005, the provincial small business corporate income tax rate will be reduced from 2.5 per cent to 2.0 per cent, and the income threshold eligible for the small business corporate income tax rate will increase from \$425,000 to \$450,000.

Effective July 1, 2006, we will further reduce the tax rate to 1.5 per cent and raise the income threshold to \$475,000. And effective July 1, 2007 we will implement the final phase of our commitment by reducing the small business corporate income tax rate to 1.0 per cent and raise the income threshold to \$500,000.

New Brunswick small businesses will save an estimated \$12 million more annually once these measures are fully mature.

Since 1999, we have provided an estimated \$272 million in cumulative corporate income tax savings. In 2005-2006, this will amount to \$76 million alone.

To reinforce our commitment to lower taxes for New Brunswickers, we proclaimed today the *Taxpayer Protection Act*.

### ***Community and Regional Economic Development***

Strong communities and strong regions are central to our Prosperity Plan. This year's budget therefore announces two significant new measures to support communities across New Brunswick.

First, the creation of a new three-year, \$18 million Community Development Initiative, with three specific components:

- A \$10 million Community Partnership Fund.
- A \$6 million Family and Youth Capital Assistance Program.
- A \$2 million Community Events Program.

Second, the creation of a three-year, \$10 million Community Economic Infrastructure Program with an initial \$2 million investment in 2005-2006.

This year's budget furthers our commitment to regional development, with funding of \$5 million to both the Miramichi Regional Economic Development Fund and the Restigouche-Chaleur Regional Economic Development Fund.

The Acadian Peninsula Economic Development Fund will be extended, by providing \$12 million more over the next three years for a total of \$40 million over eight years.

A further \$5 million will be allocated to the Total Development Fund to support resource development.

The provincial investment in Crown land silviculture today is 16 per cent higher than when this government came into office in 1999. This budget maintains our silviculture investment at this level.

We are committed to the Canadian Agricultural Income Stabilization (CAIS) program that allows the federal and provincial governments to assist agricultural producers with income shortfalls. Funding to this program over the 2004-2005 and 2005-2006 fiscal years will total \$23.7 million.

We will continue to promote New Brunswick as an attractive tourist destination by investing \$600,000 more in tourism infrastructure and by participating in the Tourism Atlantic Marketing Initiative.

### ***Other Key Investments***

Gross capital spending will rise 10.9 per cent over last year to a total of \$423.8 million – the fifth consecutive year in which it has been increased, with key investments in transportation, health, education and “green municipal infrastructure”.

Under this budget, we are investing a further \$5 million in the New Brunswick Innovation Foundation, adding to the initial \$20 million fund.

This budget allocates \$1 million to the province’s immigration program this year, a 54 per cent increase over last year. The program will be enhanced to coordinate our focus across government on bringing more immigrants to our province.

Today’s budget also maintains our funding commitment with \$8.1 million dedicated to culture.

The government will introduce legislation this session to amend the *Assessment Act* to help encourage private sector businesses to develop and utilize heritage properties.

### ***Conclusion***

Setting clear objectives is essential to achieving real economic, social, and financial progress. It is part of our Prosperity Plan. It is part of our Quality Learning Agenda. It is part of our Provincial Health Plan. And it is part of our budget plan.

Our plans are working. Jobs are up. Taxes are down. Investment is up. Debt is down. Our credit rating is up. Unemployment is down.

These are the signs of a growing, more prosperous province. These are the signs of how we are building a stronger New Brunswick for all.

**BUDGET PLAN**  
**STATEMENT OF SURPLUS OR DEFICIT**  
**2005-2006**  
**Thousands**  
**\$**

<b>BUDGET PLAN</b>	
	<u><b>Year Ending March 31</b></u>
<b>BUDGETARY ACCOUNTS</b>	<b>2006</b> <b>Estimate</b>
<b>Ordinary Account:</b>	
Revenues.....	5,738,395
Expenditures.....	<u>5,588,880</u>
Surplus (Deficit).....	149,515
<b>Capital Account:</b>	
Revenues.....	41,284
Expenditures.....	<u>423,827</u>
Surplus (Deficit).....	(382,543)
<b>Special Purpose Account:</b>	
Revenues.....	45,375
Expenditures.....	<u>46,080</u>
Surplus (Deficit).....	(705)
<b>Special Operating Agencies (net):</b>	
Revenues.....	57,260
Expenditures.....	<u>46,538</u>
Surplus (Deficit).....	10,722
<b>Sinking Fund Earnings.....</b>	<b>227,000</b>
<b>Gross Consolidated Revenue.....</b>	<b>6,109,314</b>
<b>Gross Consolidated Expenditure.....</b>	<b><u>6,105,325</u></b>
<b>(Increase) Decrease in Net Debt.....</b>	<b><u>3,989</u></b>

<b>STATEMENT OF SURPLUS OR DEFICIT</b>	
<b>Gross Consolidated Revenue.....</b>	<b>6,109,314</b>
Less: Capital Revenues Related to Tangible Capital Assets.....	<u>(37,983)</u>
<b>Operating Revenue.....</b>	<b>6,071,331</b>
<b>Gross Consolidated Expenditure.....</b>	<b>6,105,325</b>
Add: Amortization Expense.....	211,564
Less: Investment in Tangible Capital Assets.....	<u>(344,438)</u>
<b>Operating Expense.....</b>	<b>5,972,451</b>
<b>Surplus (Deficit).....</b>	<b><u>98,880</u></b>

Note: Columns may not add due to rounding.