

2010-2011 Budget

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Creating Opportunities Today
for Self-Sufficiency Tomorrow

Budget 2010-2011

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Introduction

Mr. Speaker, in December 2008, our government provided one of the first fiscal updates reflecting the impacts of the global economic downturn, and our decision to deliver this budget today is a further example of being proactive in responding to the economic challenges we face. I am pleased to rise in this House and table the 2010-2011 Budget which will deliver an update to New Brunswickers on the current fiscal year, provide details on our plans for 2010-2011 including our capital budget, and updates our lower tax plan and our plan to return to balanced budgets.

New Brunswick communities, businesses and individuals have been impacted by the global economic downturn and financial market turmoil. As we begin what is anticipated to be a slow, modest recovery, today's budget provides the leadership to address the economic challenges of the present day and create opportunities for the New Brunswick of tomorrow. This budget will further develop our five-point plan for a stronger economy outlined in the 2009-2010 Budget; a plan that is already helping position New Brunswick to recover and prosper by creating and maintaining jobs across the province through strategic investments in infrastructure, includes record investments in health, education and social development, and the second phase of the largest one-time tax reduction package ever introduced in the province.

Mr. Speaker, the proposed acquisition of NB Power by Hydro-Quebec is an historic step forward for New Brunswick and can only be good news for the long-term sustainability and growth of the economy and our goal of self-sufficiency. Under the terms of the proposed agreement, New Brunswick will be a markedly more competitive place to do business and create jobs. Homeowners will see rates much lower than under the current regime as we go forward and the energy rate for industrial users will be among the most competitive in North America.

Lower energy rates increase our ability to attract new companies and residents. Coupled with our lower tax plan, affordable, reliable and environmentally friendly hydro power will mean businesses in all areas of our province will benefit from lower operating costs and be more profitable, making it easier for them to keep New Brunswickers working, to invest in leading edge equipment and technology and to create new jobs. This reflects our vision of *Creating Opportunities Today for Self-Sufficiency Tomorrow*. Additionally, the retirement of the debt issued on behalf of NB Power, which represents 40 per cent of the debt issued by the province, will provide New Brunswick the financial flexibility in the future to achieve the best possible terms on any future borrowings in domestic and international markets. This is clearly a "win-win" scenario for New Brunswick. We look forward to continuing to dialogue with New Brunswickers and to the continuing debate in this Legislature on this important issue.

Mr. Speaker, acting decisively – and in the best interests of New Brunswickers – is what this government was elected to do and our 2010-2011 Budget continues to provide that leadership. Our *Charter for Change* challenged New Brunswickers to work towards forging a more prosperous, populous and self-sufficient New Brunswick. Since October 2006 the results are clear – with the help of New Brunswickers, over 96 per cent of our 252 *Charter for Change* commitments are either completed or underway. Our economic development plan is working with New Brunswick reporting the strongest growth in net new jobs among the provinces since we took office. Mr. Speaker, we are indeed creating opportunities today for self-sufficiency tomorrow. Today's budget builds on the success of these and other initiatives undertaken since October 2006.

Strategic initiatives to date include:

- *Increasing economic opportunities and our population* with the largest one-time tax reduction package ever introduced in this province, which by 2012-2013, will put \$380 million annually in savings back in the pockets of individuals and businesses; and the success of the Population Growth Secretariat that reported 10 consecutive quarters of population growth since January 2007 with a net gain of 4,600 people;
- *Connecting our communities with better, safer roads and improvements to essential infrastructure in health, education and communications and technology* which includes our record two-year capital investment plan approaching \$1.6 billion to stimulate the economy; and our partnership with Barrett Xplore Inc. to become the first jurisdiction in North America to deliver high-speed Internet access to all residents and businesses by mid-2010;
- *Investing in a cleaner and greener energy future in New Brunswick* through such projects as the refurbishment of the Point Lepreau generating station; the addition of new wind power; and providing residential energy efficiency financial incentives to more than 10,000 homes;
- *Creating the best opportunities to learn* by adding almost 400 teachers and 500 teachers' assistants, intervention workers and library assistants to K-12 schools since 2006; instituting a freeze in tuition at public universities; and funding 934 new seats in the New Brunswick Community College network in the last two years;
- *Providing opportunities for equal access to quality health care* by increasing administrative efficiencies with the move from eight Regional Health Authorities to two; recruiting 153 net new physicians and 357 net new nurses to the province between October 2006 and October 2009; and funding new medical schools in Moncton and Saint John that clearly demonstrates our commitment to train doctors at home and retain them for the future;
- *And giving New Brunswick seniors the opportunity to be independent longer* by effectively removing seniors' homes, assets and life savings from the calculation of nursing home fees; and increasing home support services to a maximum of 336 hours per month.

In preparing this budget, we consulted with a wide range of individuals, community officials, unions, and small, medium and large businesses across the province. Our government is open to new ideas that will help shape the plan for returning to balanced budgets and we encouraged New Brunswickers to provide input on their priorities and where spending efficiencies could be realized. New Brunswickers told us they continue to value quality education and health care and the provision of assistance to those in need. We thank them for their candor and suggestions, and today's budget reflects what we heard.

Current Economic and Fiscal Environment

Mr. Speaker, recent indications are that the global economy has taken its first tentative steps towards recovery and financial markets are steadily improving. However, the Bank of Canada warns the pace of recovery in Canada will be slower than previous downturns. Growth is expected to be modest over the medium-term as the economy recovers from a deep, prolonged recession. Today's economic and fiscal environment has put the focus on federal, provincial and municipal governments to provide fiscal stimulus to generate much needed economic activity. This will continue in 2010-2011 as we begin to recover. It is anticipated that a period of years will be required to return to fiscal normalcy.

The steepest global economic downturn since the 1930s is having a significant impact on the fiscal situation in all jurisdictions in Canada. And, of course, New Brunswick is not immune from this reality. The federal and other provincial governments have also been impacted. For example, the federal government in September estimated a deficit of \$55.9 billion for this year, an increase of \$22.2 billion since its January budget; Ontario's projected deficit has risen from \$14.1 billion at budget to \$24.7 billion by October; while British Columbia now projects a \$2.8 billion shortfall. The federal and Ontario governments have announced multi-year plans to return to fiscal balance by 2015-2016, with a number of other provinces projecting timeframes of up to five years.

Economic Review and Outlook

Mr. Speaker, I would now like to provide an update on the New Brunswick economy for 2009 and an outlook for 2010.

2009 Update

As 2009 has progressed, the strong global response in fighting the financial crisis that emerged in the latter half of 2008 helped stabilize many of the world's economies and position them to commence recoveries. In Canada, no province was exempt from the economic downturn as resource-based economies in Newfoundland and Labrador, Alberta and British Columbia and Ontario's manufacturing sector were hardest hit. According to the Bank of Canada, real economic growth in Canada is anticipated to contract by 2.4 per cent in 2009.

The New Brunswick economy was not immune from global economic conditions. The Department of Finance now anticipates real Gross Domestic Product (GDP) to fall by 0.5 per cent in 2009, slightly weaker than the 0.3 per cent decline projected in March.

The provincial labour market performed better than initially expected as New Brunswick was one of only three provinces to report employment increases in the first 10 months of the year. In September and October, the provincial unemployment rate fell below the national average for the first time on record. Average weekly earnings rose at a faster rate than Canada, while retail sales and new auto sales slumped, but not to the same degree as nationally. Consumer prices in the province declined slightly in the first three quarters of the year, impacted by lower prices for petroleum products. Investment in residential renovations has been strong, supported by federal tax incentives.

At the same time, the province's manufacturing and export sectors were negatively impacted by the weakness in the U.S. economy and lower world commodity prices for forest, energy and mining products.

Measures announced in the 2009-2010 Budget under the five-point plan to help the province's economy recover and prosper have served to lessen the negative impacts of the recession and stabilize employment across New Brunswick. The first year of our lower tax plan has provided businesses and individuals with additional savings to spend or invest, creating confidence in the economy's future, and the first year of our record two-year capital investment plan helped offset the drop in private sector capital investment due to the winding up of large investment projects such as the LNG terminal and pipeline.

2010 Outlook

Mr. Speaker, it is anticipated that recovery will take hold in North American economies in 2010, but at a more gradual pace than previous recessions. According to the Bank of Canada, economic growth is projected to increase 3.0 per cent in Canada, fuelled by personal consumption and government stimulus programs, with growth in the U.S. projected to be more modest.

In this environment, the New Brunswick economy is expected to return to growth in 2010, albeit at a modest pace. The Department of Finance is forecasting real GDP growth of 1.7 per cent in 2010, up from the 0.5 per cent decline estimated for 2009. Private sector forecasters anticipate New Brunswick growth to average 2.1 per cent.

New Brunswick exporters should report a better performance in 2010 as the recovery will increase demand and prices for provincial forest, energy, mineral and manufactured products. However, export gains will be constrained by the strong Canadian dollar and the prolonged slump in the forest sector. Non-residential business investment, the engine of provincial economic growth in the last decade, will be led by the continuation of the \$1.7 billion potash mine expansion, the refurbishment of the Point Lepreau nuclear generating station and stimulus provided by the province's record capital investment plan. Employment gains are anticipated to be moderate following a steady performance in 2009, with little change expected in the provincial unemployment rate.

To support the economy over the longer-term, the second stage of *The Plan for Lower Taxes in New Brunswick* comes into effect in 2010. Lower personal and corporate income taxes will help create a lower cost and more competitive environment for businesses operating in the province, as well as those considering relocation to the province. New Brunswick consumers are expected to be more active in 2010 with the stable labour situation and the lower tax plan putting even more savings back into their pockets. The second stage of personal income tax reductions goes into effect January 1, 2010 and the corporate income tax reductions will be effective July 1, 2010.

2009-2010 Fiscal Update

Mr. Speaker, I would now like to update the House on the fiscal situation in the current year. At budget last March, the global economy was in deep recession and the fiscal outlook was decidedly bleak. In this environment, the government projected a deficit of \$740.9 million, including an extraordinary pension plan expense of an estimated \$300.0 million related to the global financial market collapse.

Based on the most current information available, we now anticipate a deficit of \$753.7 million, or \$12.8 million above budget for the current fiscal year. This modest increase in our deficit contrasts with significant increases in deficits in a number of other jurisdictions.

In our 2009-2010 Budget, we expected the economic downturn to lead to a modest decline in revenues from the previous year. Revenue projections included the initial year of *The Plan for Lower Taxes in New Brunswick* and the phase-out of the Large Corporation Capital Tax.

Our economic projections for 2009 remain largely on track and so do our revenues. Revenues are now estimated to have increased \$21.2 million since budget, to total \$7.119 billion. Personal income tax revenue is projected to be higher than budget due to an anticipated prior-year adjustment and stronger employment and income projections. New federal stimulus funding for such programs as infrastructure investment, social development and labour market agreements has increased revenue, but has been offset by accompanying expenditures. These revenue increases offset downward pressures in other accounts.

Additional spending related to cost pressures in a number of departments along with federal stimulus funding, have been partially offset by lower pension expense. Total spending is now estimated at \$7.872 billion, an increase of \$34.0 million from budget.

Spending increases in 2009-2010 include:

- \$71.0 million in the Department of Health for costs relating to the physician contract settlement, the H1N1 influenza vaccine program and adjustments for emergency room doctors and pathologists;
- \$26.4 million in the Department of Social Development as a result of increased demand for long-term care and income security programs along with additional spending as a result of federal stimulus funding for housing programs;
- And \$21.7 million in the Department of Post-Secondary Education, Training and Labour resulting from additional federal funding under labour market agreements.

The extraordinary pension expense, now estimated at \$200.0 million, is lower than anticipated as financial markets have posted strong returns this fiscal year. In our March 2009 budget, the government indicated that over time, this situation would correct itself, and we are pleased with these latest developments. I must also reiterate to the New Brunswick public service that their employee pension plans are safe and well-managed and will be there when they retire.

Net debt is projected to increase \$966.4 million, slightly below the 2009-2010 Budget projection.

2010-2011 Fiscal Outlook

Mr. Speaker, I would now like to turn to 2010-2011 and outline our plans for next year. While the economic outlook has improved in recent months, the recovery is expected to be slow and protracted. Growth in revenues will be hampered by only a modest upturn in the economy in 2010 and the completion of major private sector investment projects that have fuelled economic growth in recent years. Demand and costs for public services will continue to rise.

Revenues in 2010-2011 are estimated to increase 1.8 per cent from 2009-2010 revised estimates to \$7.247 billion. This is markedly below the rates of revenue increase reported in recent years. These estimates also reflect the second phase of our lower tax plan.

At the same time, spending pressures from delivering important social programs continue to increase. Spending restraint undertaken by this government, along with an improvement in pension expense, will slow the rate of increase to 1.6 per cent, with total spending of \$7.996 billion.

In total, the province is projecting a deficit of \$748.8 million. With additional capital investment related to the New Brunswick and federal government stimulus packages, net debt is anticipated to increase by \$1.21 billion.

Mr. Speaker, as noted in the 2009-2010 Budget, the global economic downturn will result in the government not being able to meet the objectives of the *Fiscal Responsibility and Balanced Budget Act* for the current four-year fiscal period 2007-2008 to 2010-2011. The

government remains committed to the principles of balanced budgets and reducing the net debt-to-GDP ratio as set out in the Act.

The government will provide a further update of the current fiscal year on or before March 31, 2010. An update of the 2010-2011 Budget will be provided as warranted.

2010-2011 Capital Budget

Mr. Speaker, this government has always recognized the importance of investing in new and upgraded public infrastructure as a tool for stimulating, growing and diversifying our economy as we continue on the road to self-sufficiency. In December 2008, this government announced a record two-year \$1.2 billion capital spending plan as a major component of our plan for a stronger economy. The 2009-2010 capital estimates included \$661.4 million in strategic investments in transportation and post-secondary education, the K-12 school system, health care facilities and in municipal, tourism and environmental infrastructure. Today we are announcing an even more significant investment plan to continue to stimulate and grow the economy.

With today's budget, new strategic infrastructure investments have increased the two-year plan to approach \$1.6 billion, with a record capital investment in 2010-2011 totaling \$896.1 million.

I would also like at this time to recognize the contributions to this record investment plan from the federal government's traditional cost-shared and stimulus funding programs. Investing wisely in strategic infrastructure will benefit all Canadians for the future, not only New Brunswickers.

Post-Secondary Education

Last year's capital budget announced an historic investment in our post-secondary institutions. These investments will not only stimulate our economy today, but will ensure that New Brunswick has a skilled and educated workforce for tomorrow. This year, Mr. Speaker, we will implement the second half of our two-year investment in the community college system totaling \$121.6 million.

Our investments in 2010-2011 will include:

- \$30.7 million for NBCC Saint John, including \$19.0 million for the Centre of Excellence for Energy and Construction on the Grandview Avenue campus and \$11.7 million for the Saint John Allied Health facility co-located on the UNBSJ campus;
- \$22.0 million to complete the work on a new campus at CCNB Edmundston;
- \$11.0 million to complete the major renovations at the NBCC Moncton campus;
- \$9.6 million for a new NBCC Fredericton campus;
- \$3.0 million to complete the new multi-trades shop at CCNB Bathurst;
- And \$2.0 million for various repairs and upgrades across the NBCC-CCNB network, including \$500,000 for the College of Craft and Design in Fredericton.

Mr. Speaker, our investments in post-secondary education infrastructure will also benefit universities. We will invest an additional \$15.0 million towards infrastructure renewal and facility upgrades at our four public universities in 2010-2011, with another \$15.0 million to be provided in 2011-2012.

Including our investments in 2009-2010 of \$30.0 million under the University Deferred Maintenance Program and \$20.0 million under the University Infrastructure Trust Fund, this will bring our total investment in university infrastructure to \$80 million over three years.

K-12 Education

Mr. Speaker, this capital budget also recognizes the need to invest in the infrastructure of our K-12 school system so that our teachers and students have the facilities and equipment that they need to succeed. In 2010-2011, we will invest \$95.7 million in our K-12 school infrastructure. This represents a 91 per cent increase over the 2009-2010 revised estimates and is the largest capital investment ever undertaken in our K-12 system.

These investments include:

- \$44.1 million for the new K-8 school in Moncton North and the new Eleanor Graham school in Rexton, both of which are being built under a public-private partnership model;
- \$28.7 million for capital construction projects across the province, including:
 - \$7.0 million to continue the construction of a new, state-of-the-art K-8 school in eastern Restigouche County;
 - \$5.2 million to complete the construction of the new Grade 6-12 Central New Brunswick Academy, as well as \$3.0 million to begin renovations to the Doaktown Consolidated school;
 - \$1.8 million to continue the reorganization and upgrade of school facilities in the Grand Falls region;
- And \$22.9 million for capital improvements and equipment across the province.

In addition to these projects, in 2010-2011 we will proceed with the construction of three new K-5 schools and one K-8 school in high-growth areas of the province. These projects, which will be built and operated under a public-private partnership model, will be located in Riverview, Kennebecasis, Moncton and Fredericton. These projects will address aging infrastructure and capacity issues due to changing demographics.

Transportation

Mr. Speaker, our 2010-2011 capital budget will once again contain major investments for our highway and bridge infrastructure in all regions of the province and see the continuation of our renowned Asset Management System. Investments in transportation-related infrastructure will total \$423.4 million in 2010-2011, an increase of \$48.2 million from the 2009-2010 revised estimates.

These investments will include:

- \$276.7 million to build and upgrade our provincial network of highways, roads and bridges;
- \$97.6 million under the federal-provincial National Highway System program, which will include:
 - \$24.2 million for the Route 7 Welsford Bypass;
 - \$30.5 million for the Route 1 One Mile House Interchange;
 - \$24.9 million for the Route 8 Nashwaak / Marysville Bypass;
 - \$3.0 million for preconstruction activities related to the Route 1 Gateway Project that will result in the complete twinning of Route 1 from the U.S. border to River Glade;
- And \$49.1 million related to the Fundy Isles ferries, including a replacement vessel for the Grand Manan ferry.

Health Care

Mr. Speaker, in order for our doctors, nurses and other health care professionals to continue providing quality care to New Brunswickers, we must continue to invest in our health care infrastructure. In 2010-2011, our government will invest \$79.3 million in health facilities and equipment.

Investments will include:

- \$64.9 million for various capital construction projects, including:
 - \$20.0 million to continue work on the major expansion at the Dr. Georges L. Dumont Hospital in Moncton;
 - \$12.8 million to complete the new Emergency Department at the Saint John Regional Hospital;
 - \$3.5 million to improve laboratory medicine and medical imaging department services at the Grand Falls General Hospital;
 - \$1.5 million to provide improved accommodations to the Intensive Care / Stepdown Unit at the Chaleur Regional Hospital;
- And \$10.0 million for major capital equipment and \$4.4 million to upgrade various health facilities around the province.

In addition to these projects, Mr. Speaker, in 2010-2011 the government will continue with the plan to construct a new psychiatric hospital in Campbellton through a public-private partnership.

Municipal Infrastructure

Infrastructure renewal is not only important at the provincial level, but also at the municipal level. In 2010-2011, we will invest \$30.0 million under the Canada-New Brunswick Building Canada Fund – Communities Agreement. This cost-shared agreement will allow municipalities to make \$90.0 million in investments in green infrastructure, for such purposes as ensuring safe drinking water and improved waste water treatment facilities.

A total of \$500,000 will be invested to assist Local Service Districts in the purchase of emergency equipment and the construction and maintenance of fire halls and other community facilities.

Environment

Mr. Speaker, we stated in last year's capital budget that our government is fully committed to proceeding with two important environmental projects: the restoration of the Petitcodiac River and the removal of the Eel River Dam.

In 2010-2011, \$3.9 million will be invested in the Petitcodiac River restoration project bringing our total investment in this project to \$24.6 million as we prepare to reach an important milestone: the opening of the causeway gates in the spring of 2010. This investment will allow government and stakeholders to monitor the river, fish populations and the surrounding habitat, as the Petitcodiac's tidal flows are finally restored.

Work on the removal of the Eel River Dam outside of Dalhousie will continue in 2010-2011. This project, which follows the recommendation of an Environmental Impact Assessment, will receive an investment of \$1.7 million in 2010-2011.

Technology

Capital infrastructure is about more than just roads and buildings, Mr. Speaker. It also includes the technology and communications infrastructure that are used every day in the delivery of services to New Brunswickers.

In 2010-2011, the government will invest \$3.8 million in the move towards a mobile radio communication system across the province. This initiative, which is critical for the delivery of services such as ambulance, emergency 911, and police and fire, will result in enhanced functionality and coverage.

Justice, Safety and Security

In last year's historic capital budget, our government committed to building new correctional facilities that would replace existing buildings and add much needed capacity.

Mr. Speaker, I am pleased to announce today that we will make investments of \$40.5 million in 2010-2011 to continue with the construction of new correctional facilities in Dalhousie and Shediac.

Also in 2010-2011, a new \$58.7 million justice complex in Moncton will be completed. This project was built through a public-private partnership and will consolidate all court activities into a single, state-of-the-art facility to the benefit of those working for the administration of justice and the general public.

The government will also be investing \$23.0 million in moving forward with the construction of the Saint John courthouse project.

Other strategic investments in public infrastructure that will be made in 2010-2011 include:

- \$10.6 million to upgrade public housing units across the province;
- \$1.9 million to continue the repairs to the Sentier NB Trail;
- And \$500,000 for various capital improvements to our tourism infrastructure.

Mr. Speaker, our record capital investment program of almost \$1.6 billion will help create much-needed jobs throughout the province as work on strategic infrastructure is stepped up, creating an estimated 6,000 person-years of employment in 2009-2010 and 9,000 in 2010-2011. These strategic investments will also provide stimulus to the economy at this crucial point in our recovery and provide New Brunswickers with new and upgraded public infrastructure for the future to put us further down the path to self-sufficiency.

Investing in Priorities Including Health, Education and Services to People

Mr. Speaker, I would now like to describe in further detail our spending plan for 2010-2011. The plan we are introducing today will continue funding for essential programs and services, including those instituted by this government since October 2006, and will also outline new and strategic investments in priority areas.

New Brunswickers, during our pre-budget consultations, told us that they support continued investments in the priority areas of health and senior care, education and assistance for those in need. However, in these difficult economic conditions, the government must balance this with the need to manage public sector spending. Today's budget accomplishes this delicate balance.

For 2010-2011, the ordinary account budget for the Department of Health will increase by \$82.8 million over revised 2009-2010 estimates, to a record \$2.46 billion. This includes increased funding levels for the New Brunswick Prescription Drug Program and Hospital Services. The government is also pleased to announce that the 2010-2011 Budget includes \$3.4 million to fund the drug Avastin for eligible patients with metastatic colorectal cancer. In addition to funding this drug, the government will introduce a province-wide colorectal-cancer screening program which is critical for the prevention and early detection of this disease.

This government is committed to creating the best education system in Canada. I am pleased to announce that the budget presented today will see new strategic investments that will enable the Department of Education to achieve this goal, to prepare our children well for the future, and to help ensure self-sufficiency for New Brunswick.

The ordinary account budget for the Department of Education will reach a record high of just under \$1.0 billion in 2010-2011, continuing to provide funding for improved quality education services in our K-12 school system.

This budget gives the Department of Education new funding of \$5.7 million as follow-up to the report of the Commission on Francophone and Acadian Schools. It also gives the Department of Education new funding of \$3.4 million in order to fully implement the revised French second language program.

Mr. Speaker, post-secondary education is a critical priority of this government and a cornerstone of self-sufficiency. *The Action Plan to Transform Post-Secondary Education in New Brunswick* outlines our strategic direction to develop New Brunswick as a leader in post-secondary education. As part of this plan, we recognize that a post-secondary education must be affordable and top-quality if we are to attract students and prepare graduates for well-paying, sustainable jobs in a growing economy. The Department of Post-Secondary Education, Training and Labour's ordinary account budget will increase by \$10.2 million over revised 2009-2010 estimates to \$318.7 million.

Since taking office, this government has been concerned about the cost of university education and the resulting debt load that students carry. To help ensure that students will be able to access affordable, high quality post-secondary education in New Brunswick, university tuition costs in 2010-2011 will be frozen for the third consecutive year under this government. Through the Maritime Provinces Higher Education Commission, the province will provide the universities with \$6.1 million to fund the cost associated with the tuition freeze. In addition, we will increase the operating grant to universities by 3.0 per cent in 2010-2011.

Government also recognizes the important role that our community college system plays in developing our labour force. We are pleased to announce today that for the fifth consecutive year, community college tuition will be frozen.

Students make a huge investment in their post-secondary education: an investment that pays future dividends to the student, to the province, and to our goal of self-sufficiency. Our government has demonstrated it will do all it can to help.

Mr. Speaker, today's budget also contains an increase of \$35.0 million over 2009-2010 revised estimates for the Department of Social Development. This is a record investment of \$986.7 million in 2010-2011, with funding for improved quality services to the less fortunate and those most in need in our province.

Over the past 18 months, New Brunswickers from all walks of life have been engaged in an important dialogue on poverty issues in our province. They agreed that the responsibility for reducing poverty lies with each and every one of us. This was clearly evident in mid-November when representatives of community non-profit organizations, business, municipal and provincial governments, post-secondary institutions and low-

income citizens came together to adopt the first ever poverty reduction plan for the province. All those at the table agreed to do their part to implement this plan.

For our part, this government has committed to a substantial investment in improving the lives of New Brunswickers in need. In total, over \$15.0 million will be invested in new poverty reduction initiatives in 2010-2011. In this first year of the plan, new investments will be made in early learning and child care, promoting community schools and affordable housing, and increasing access to post-secondary education.

The 2010-2011 Budget will also begin the reform of the social assistance program to make it the most progressive social assistance system in the country, with one of the first changes being an 80 per cent increase in social assistance rates for single employable clients. Additional dollars are being invested to implement significant changes to the Household Income Policy as it is applied to social assistance clients. This government has also committed to invest in the delivery of the poverty reduction plan at the community level, thereby building on the momentum already created by the adoption of this plan.

Mr. Speaker, under our strategy, *Be Independent. Longer*, our government made a commitment to improve the long-term care system for seniors. The province's nursing home infrastructure is aging right along with our population and strategic investments need to be made in our long-term care facilities.

Recognizing the significance of this situation, I am proud to inform the House that our government is preparing to launch the largest and most comprehensive plan ever undertaken for nursing home infrastructure in New Brunswick. This five-year plan will achieve record-setting investments of almost \$400.0 million to renew and revitalize the sector. Improvements to our nursing home infrastructure will help to ensure our most fragile seniors receive the quality care they need in modern, secure facilities. At the same time, our province will be better equipped to meet the changing and growing needs of New Brunswick's aging population. As work is undertaken through the capital renewal and replacement plan for nursing homes, many important construction jobs will be created in communities around the province. This plan will result in the replacement of a number of nursing homes and additions to some existing facilities, and will fulfill this government's commitment to add 700 new nursing home beds.

Mr. Speaker, our government will continue to foster economic growth in northern New Brunswick through the Northern New Brunswick Infrastructure Initiative and the Northern Economic Development Fund. These investments, which will total \$30.0 million in 2010-2011, will help provide the infrastructure and economic development tools that are essential as we continue to deal with the challenges of the economic downturn.

New Brunswick municipalities and rural communities are key to our social development, economic competitiveness and goal of self-sufficiency. This government recognizes the important role played by our cities, towns, villages, local service districts and rural communities in delivering programs and services. I am pleased that even though the

province must practice restraint during the current economic circumstances, the unconditional grant for each municipality and rural community will be maintained at the same level as in 2009. We remain committed to working together with local governments in providing quality services to all New Brunswickers in these difficult economic times.

Delivering Lower Taxes for New Brunswickers

Mr. Speaker, *The Plan for Lower Taxes in New Brunswick* is a vital part of the government's long-term economic development strategy and is designed to promote investment opportunities and grow the economy and create jobs. Once the largest one-time tax reduction package ever introduced in New Brunswick is fully implemented, the increased economic activity will grow our tax base and help move the province toward self-sufficiency. This plan has been nationally recognized for improving the simplicity and efficiency of the tax system and leading to increased competitiveness and prosperity.

The July 1, 2009 implementation of the first stage of our four-year lower tax plan put an estimated \$143.5 million back into the pockets of New Brunswickers and businesses to spend, invest or save. This has helped preserve and create jobs during challenging economic times. In fact, New Brunswick is one of the few jurisdictions experiencing relatively stable employment and income growth during the global recession.

The second stage of the plan will provide savings to individuals and businesses in the coming year totaling an estimated \$257.9 million, meaning that through the next fiscal year this plan will have returned over \$400.0 million to New Brunswickers. By 2012-2013, annual savings are estimated to top \$380.0 million for that year and each and every year going forward. With today's budget, I am also tabling an update to the lower tax plan entitled *Delivering Lower Taxes for New Brunswickers*.

Mr. Speaker, I am proud that this government will meet its commitment of increasing the Low-Income Seniors' Benefit (LISB) to \$400 in 2010. By fulfilling this commitment the LISB has increased from \$100 to \$400 during this mandate.

The Plan for Lower Taxes in New Brunswick also introduced an accountability mechanism that will make both the provincial and municipal governments more accountable and transparent to taxpayers for property taxes. When assessment base growth exceeds the value of inflation and new construction, an adjustment factor will be used to calculate lower base tax rates for both provincial and municipal property tax rates. Should the province or a municipality require property tax rates above the calculated base tax rates, then any proposed tax increases must be put forward publicly and to a vote by municipal council or, in the case of the province, a vote in the Legislature.

This accountability mechanism will begin providing benefits to New Brunswickers with the 2010 property tax bills, where the base rates are adopted. For example, the adoption of the base tax rates by the province will result in provincial property tax savings of approximately \$12.0 million by taxpayers for the 2010 property tax bills, and this is over and above the other savings from the lower tax plan. Municipalities are encouraged to

follow the province's lead and where possible adopt the rates calculated by the accountability mechanism, meaning even greater savings for taxpayers.

Mr. Speaker, I am pleased to announce that the film tax credit will be extended by 10 years, until the end of 2019. Also, effective January 1, 2010, approved productions that take place more than 50 kilometres from our three largest cities will be eligible for an additional 10 per cent regional bonus. The film tax credit is 40 per cent of eligible salaries paid to New Brunswick residents and will be 50 per cent of eligible salaries qualifying for the regional bonus. Extending this tax credit for an additional 10 years will provide greater certainty for the industry that the tax credit will be in place. The regional bonus will provide incentives for film productions outside major centres. The province provides the film tax credit to encourage the training and hiring of New Brunswick film personnel.

Managing Government Expenditures

Mr. Speaker, as we move forward we must continue to invest in priorities, while at the same time providing more efficient and effective public services. The health, safety and security of New Brunswickers will remain basic to our approach.

Cabinet committees have continued extensive expenditure program reviews to ensure programs are affordable and efficient and relevant in today's economy. These reviews have supported the government in making tough but necessary choices over the last two years to make certain the continuation of transforming the province and investing in self-sufficiency are done in a fiscally responsible fashion. For 2010-2011, a total of \$69.0 million in savings have been identified through this process and the second year of the wage restraint policy that was announced in the 2009-2010 Budget.

Mr. Speaker, during this session, the government will introduce legislation to create a new agency to provide internal common services that are essential to government functioning in the most effective manner possible. The agency is being established as part of *Our Action Plan to be Self-Sufficient in New Brunswick – Transforming Our Government* initiative, and will be responsible to improve internal government services in the areas of finance and administration, information management and technology, and human resources.

Additional details on the 2010-2011 spending plans by departments will be provided by my colleagues as their estimates are debated on the floor of this House in the coming months.

Plan to Return to Balanced Budgets

Mr. Speaker, like all jurisdictions in Canada, we are facing a challenging financial situation. The economic recovery from the recession is expected to be gradual and will serve to limit revenue growth. When combined with continually increasing demands and costs for public services and stimulus spending required to spur the economy, this will lead to substantial deficits over the next several years.

When we tabled our plan to return to balanced budgets last March, the economic and fiscal outlook was different than today. The global recession was at its lowest point and no one could, with any certainty, predict the depth and severity of the downturn, let alone the strength or timing of the recovery. Today, most economic analysts, including the Bank of Canada, expect the Canadian recovery to be more gradual in scope compared to previous recoveries. What this means is a number of years of revenue growth at a much slower pace than the levels that have sustained public services in the past.

Based on current projections, provincial revenues over the medium-term are estimated to be considerably lower than in our original plan. Growth in the New Brunswick economy over the medium-term is projected to be more subdued largely due to the absence of major investment projects on the horizon, especially with the completion of the LNG terminal and pipeline in 2009 and the \$8.0 billion Eider Rock petroleum refinery project not proceeding at this time. As well, we are confronted with a more gradual recovery than previously anticipated. These factors impact on the province's tax revenue. Additionally, federal transfer growth will be hampered due to the expiry of stimulus funding and the effects of the recession, which is anticipated to have significant impacts on Equalization funding. As a result, revenue projections over the medium-term have been revised downwards.

On the expense side, additional spending in 2009-2010 affects the multi-year plan with increased costs for health and senior care services along with spending related to additional federal stimulus funding. Strategic investments in transportation, post-secondary education, nursing home infrastructure and our poverty reduction plan are included in this budget and spending projections going forward.

Mr. Speaker, this government had a difficult choice to make. We could have rigidly maintained our four-year plan to return to balanced budgets; however the recession has led to projections of considerably lower revenues than anticipated in March 2009 accompanied by increased costs for essential public services. Further restraint of \$513.0 million would be required in 2012-2013 to balance the budget. This amount is equivalent to the sum of the ordinary account budgets of the departments of Post-Secondary Education, Training and Labour, Transportation, and Agriculture and Aquaculture in 2010-2011. Alternatively, we could extend the plan by two years. This would still require ongoing, annual restraint but in a more sustainable manner. This is the course of action we have chosen.

Costs for delivering traditional front-line public services such as those for health care, senior care and support for lower income New Brunswickers will continue to grow and will require continued vigilance in other operations of government. Over the remainder of our plan, government will continue to develop measures to find additional savings and efficiencies in public service delivery. Meanwhile, should the economy perform better than anticipated and revenues grow faster than currently projected, the return to balanced budgets could be much sooner.

Additionally Mr. Speaker, when we recently held pre-budget consultations, we heard loud and clear from New Brunswickers that they preferred extending the period over which the budget is balanced instead of significantly stronger restraint measures. This government has listened to New Brunswickers.

Plan to Return to Balanced Budgets						
December 2009						
2009-2010 to 2014-2015						
(\$ millions)						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
Revenue	7,119	7,247	7,251	7,436	7,771	8,120
Expense	7,872	7,996	7,932	7,989	8,033	8,078
Surplus/ (Deficit)	(754)	(749)	(681)	(553)	(262)	42
Extraordinary Pension Expense	200	125	75	40	20	0
Surplus/(Deficit) Excluding Extraordinary Pension Expense	(554)	(624)	(606)	(513)	(242)	42

Mr. Speaker, the fallout from the global economic slowdown and the government's five-point plan for a stronger economy will contribute to increases in the province's net debt over the next number of years. Our record capital investment plan will create jobs across the province and grow our economy but it comes with a cost. Our lower tax plan will not only help stimulate the economy but it is vital to our long-term competitiveness and self-sufficiency. However, the lower tax plan does affect our revenues. The government has also made the conscious decision to return to balanced budgets over a longer period, rather than commit to sweeping reductions to programs and services. Once the province returns to balanced budgets, it will focus on reducing the province's debt. The government believes that this plan is the responsible way to stimulate the New Brunswick economy and position it for a sustainable recovery.

Conclusion

Mr. Speaker, today's budget is about leadership, making choices and maintaining our focus on *Creating Opportunities Today for Self-Sufficiency Tomorrow*. This requires making decisions that are necessary to provide the province with the opportunity to grow and prosper and New Brunswickers with the effective and affordable economic and social programs and services they deserve.

Today's budget moves us further down the path to self-sufficiency, building on the decisive actions taken in our five-point plan laid out in the budget of 2009-2010 to combat the global recession and create a growing, more long-term competitive New Brunswick. It details the second year of our record strategic infrastructure investment plan of almost \$1.6 billion to help the economy recover and grow. The second year of our lower tax plan results in \$257.9 million in savings in the pockets of New Brunswickers and businesses and moves the province towards self-sufficiency by promoting investment opportunities, economic growth and creating jobs. This budget contains record investments in health, education and social development. It introduces plans to reduce poverty and revitalize nursing home infrastructure. And, it updates our plan to return to balanced budgets.

Mr. Speaker, the government of New Brunswick alone cannot lead the province to a sustainable recovery. We continue to work together with our federal, provincial and municipal counterparts, with the higher education community, with business leaders and with all New Brunswickers to create a growing, vibrant economy. The recent economic malaise has shown that all levels of government must work together to ensure stimulus investments are targeted where they will do the most for the economy and provide the highest value in creating and maintaining jobs in the short, medium and long-term.

It is also important during this period of recovery, that governments do not improve their financial bottom lines by downloading their fiscal problems to successive levels of governments by cutting transfers or other traditional avenues of funding.

Mr. Speaker, this government has always demonstrated confidence in New Brunswickers and their abilities to work collectively in times of crisis. We have seen their innovative spirit and willingness to adapt to challenging times. Together, we have put the province on the path to a sustained economic recovery that will accelerate the transformation of New Brunswick towards self-sufficiency, improve our competitiveness and secure the economic prospects of New Brunswickers, both those who are now in this place and those who will be here in the years ahead.

Thank you, Mr. Speaker.

APPENDIX: SUMMARY BUDGET INFORMATION

COMPARATIVE STATEMENT OF SURPLUS OR DEFICIT

Thousands

\$

	<u>Year Ending March 31</u>		
	2010	2010	2011
	Estimate	Revised	Estimate
Revenue			
Ordinary Account.....	6,612,293	6,630,857	6,729,135
Capital Account.....	215	3,288	215
Special Purpose Account.....	60,047	61,765	56,873
Special Operating Agency Account (net).....	160,127	166,086	197,676
Sinking Fund Earnings.....	234,100	223,900	229,300
Amortization of Deferred Capital Contributions.....	30,553	32,616	34,229
Total Revenue	<u>7,097,335</u>	<u>7,118,512</u>	<u>7,247,428</u>
Expense			
Ordinary Account.....	7,219,773	7,240,372	7,333,020
Capital Account.....	123,894	119,051	95,673
Special Purpose Account.....	63,681	65,619	63,323
Special Operating Agency Account (net).....	147,887	158,145	197,473
Amortization of Tangible Capital Assets.....	282,979	289,028	306,744
Total Expense	<u>7,838,214</u>	<u>7,872,215</u>	<u>7,996,233</u>
 Surplus (Deficit).....	 <u>(740,879)</u>	 <u>(753,703)</u>	 <u>(748,805)</u>

COMPARATIVE STATEMENT OF CHANGE IN NET DEBT

Thousands

\$

	<u>Year Ending March 31</u>		
	2010	2010	2011
	Estimate	Revised	Estimate
Surplus (Deficit).....	(740,879)	(753,703)	(748,805)
Acquisition of Tangible Capital Assets.....	(537,466)	(551,895)	(800,382)
Amortization of Tangible Capital Assets.....	282,979	289,028	306,744
Revenue Received to Acquire Tangible Capital Assets.....	57,206	82,812	66,677
Amortization of Deferred Capital Contributions.....	<u>(30,553)</u>	<u>(32,616)</u>	<u>(34,229)</u>
(Increase) Decrease in Net Debt.....	<u>(968,713)</u>	<u>(966,374)</u>	<u>(1,209,995)</u>

TOTAL REVENUE
2010-2011
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCY ACCOUNT (NET)</u>	<u>TOTAL</u>
Agriculture and Aquaculture	7,249	0	0	0	7,249
Business New Brunswick	9,891	20	0	0	9,911
Education	31,840	0	20,552	0	52,392
Energy	372	0	0	0	372
Energy Efficiency and Conservation Agency of New Brunswick	829	0	0	0	829
Environment	4,303	0	6,516	0	10,819
Finance	5,789,708	0	56	0	5,789,764
Fisheries	1,780	0	0	0	1,780
Health	37,916	0	1,300	0	39,216
Justice and Consumer Affairs	49,339	0	449	0	49,788
Legislative Assembly	490	0	0	0	490
Local Government	134	0	0	0	134
Natural Resources	67,578	40	2,972	0	70,590
Office of the Attorney General	150	0	400	0	550
Office of the Comptroller	175	0	0	0	175
Other Agencies	362,306	0	0	0	362,306
Post-Secondary Education, Training and Labour	162,587	0	2,603	30,423	195,613
Public Safety	126,482	0	8,182	6,451	141,115
Regional Development Corporation	0	0	0	156,657	156,657
Social Development	66,983	50	10,626	0	77,659
Supply and Services	700	5	1,566	0	2,271
Tourism and Parks	3,086	0	199	3,545	6,830
Transportation	5,229	100	0	600	5,929
Wellness, Culture and Sport	8	0	1,452	0	1,460
Sub-total	<u>6,729,135</u>	<u>215</u>	<u>56,873</u>	<u>197,676</u>	<u>6,983,899</u>
Sinking Fund Earnings					229,300
Amortization of Deferred Capital Contributions					<u>34,229</u>
TOTAL REVENUE					<u><u>7,247,428</u></u>

COMPARATIVE STATEMENT OF ESTIMATED GROSS REVENUE BY SOURCE

Thousands

\$

	<u>Year Ending March 31</u>		
	2010 Estimate	2010 Revised	2011 Estimate
Taxes			
Personal Income Tax.....	1,224,000	1,283,000	1,187,000
Corporate Income Tax.....	171,600	181,200	187,300
Metallic Minerals Tax.....	19,000	10,000	8,000
Provincial Real Property Tax.....	404,000	404,000	420,000
Harmonized Sales Tax.....	999,000	955,000	1,010,300
Gasoline and Motive Fuels Tax.....	199,000	201,000	201,000
Tobacco Tax.....	90,000	94,000	94,000
Pari-Mutuel Tax.....	65	65	65
Insurance Premium Tax.....	41,492	41,492	41,888
Real Property Transfer Tax.....	6,800	6,800	7,000
Large Corporation Capital Tax.....	0	5,000	0
Financial Corporation Capital Tax.....	7,000	6,000	8,000
Sub-total: Taxes	<u>3,161,957</u>	<u>3,187,557</u>	<u>3,164,553</u>
Return on Investment	261,835	256,810	347,256
Licences and Permits	114,762	114,952	118,862
Sale of Goods and Services	248,831	237,466	246,722
Royalties	73,095	50,095	54,915
Fines and Penalties	8,395	8,668	8,515
Miscellaneous	26,236	28,887	29,313
TOTAL: OWN SOURCE REVENUE	<u>3,895,111</u>	<u>3,884,435</u>	<u>3,970,136</u>
Unconditional Grants – Canada			
Fiscal Equalization Payments.....	1,689,000	1,689,000	1,661,000
Canada Health Transfer.....	557,000	554,800	589,600
Canada Social Transfer.....	242,100	241,200	246,800
Wait Times Reduction Transfer.....	5,575	5,560	5,535
Other.....	1,938	1,938	1,938
Sub-total: Unconditional Grants – Canada	<u>2,495,613</u>	<u>2,492,498</u>	<u>2,504,873</u>
Conditional Grants – Canada	221,569	253,924	254,126
TOTAL: GRANTS FROM CANADA	<u>2,717,182</u>	<u>2,746,422</u>	<u>2,758,999</u>
TOTAL: GROSS ORDINARY REVENUE	<u><u>6,612,293</u></u>	<u><u>6,630,857</u></u>	<u><u>6,729,135</u></u>

TOTAL EXPENSE
2010-2011
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCY ACCOUNT (NET)</u>	<u>TOTAL</u>
Agriculture and Aquaculture	36,151	400	0	0	36,551
Business New Brunswick	42,694	0	0	0	42,694
Education	994,625	0	20,657	0	1,015,282
Energy	3,087	0	0	0	3,087
Energy Efficiency and Conservation Agency of New Brunswick	17,655	0	0	0	17,655
Environment	12,884	0	8,500	0	21,384
Executive Council Office	5,517	0	0	0	5,517
Finance	12,375	0	56	0	12,431
Fisheries	4,728	0	0	0	4,728
General Government	680,072	0	0	0	680,072
Health	2,456,493	0	1,400	0	2,457,893
Intergovernmental Affairs	2,586	0	0	0	2,586
Justice and Consumer Affairs	39,606	0	449	0	40,055
Legislative Assembly	27,998	0	0	0	27,998
Local Government	119,697	160	0	0	119,857
Maritime Provinces Higher Education Commission	260,531	15,000	0	0	275,531
Natural Resources	87,150	638	3,040	0	90,828
Office of the Attorney General	16,824	0	180	0	17,004
Office of the Comptroller	4,346	0	0	0	4,346
Office of Human Resources	5,644	0	0	0	5,644
Office of the Premier	1,616	0	0	0	1,616
Post-Secondary Education, Training and Labour	318,692	0	2,573	32,123	353,388
Public Safety	130,551	0	8,207	6,600	145,358
Regional Development Corporation	94,836	29,950	0	167,628	292,414
Service of the Public Debt	634,415	0	0	0	634,415
Social Development	986,734	1,100	14,500	0	1,002,334
Supply and Services	116,809	8,964	2,096	0	127,869
Tourism and Parks	28,132	500	90	3,528	32,250
Transportation	172,080	38,961	0	(12,406)	198,635
Wellness, Culture and Sport	18,492	0	1,575	0	20,067
Sub-total	<u>7,333,020</u>	<u>95,673</u>	<u>63,323</u>	<u>197,473</u>	<u>7,689,489</u>
Amortization of Tangible Capital Assets					<u>306,744</u>
TOTAL EXPENSE					<u>7,996,233</u>

FISCAL RESPONSIBILITY AND BALANCED BUDGET ACT

Millions

\$

2007-2008 to 2010-2011 Fiscal Period

	Year Ending March 31			
	2008 Actual	2009 Actual	2010 Revised	2011 Estimate
Total Revenue.....	6,962.3	7,112.8	7,118.5	7,247.4
Add: Required Changes Under the Act.....	0.0	0.0	(63.6)	(20.0)
Adjusted Revenue.....	6,962.3	7,112.8	7,054.9	7,227.4
Total Expense.....	6,875.6	7,305.1	7,872.2	7,996.2
Adjusted Surplus (Deficit) for the Year.....	86.7	(192.3)	(817.3)	(768.8)
Cumulative Difference - Beginning of Year.....	0.0	86.7	(105.6)	(922.9)
Cumulative Difference - End of Year.....	86.7	(105.6)	(922.9)	(1,691.7)

	Year Ending March 31				
	2007	2008	2009	2010	2011
Net Debt.....	6,575.9	6,949.2	7,387.8	8,354.2	9,564.2
GDP (31 December).....	25,884	26,993	27,372	27,646	28,724
Ratio of Net Debt-to-GDP.....	25.4%	25.7%	27.0%	30.2%	33.3%

Note: Columns may not add due to rounding.

NEW BRUNSWICK ROAD IMPROVEMENT FUND

Thousands

\$

	<u>Year Ending March 31</u>		
	2010	2010	2011
	Estimate	Revised	Estimate
Revenue			
Gasoline and Motive Fuels Tax.....	199,000	201,000	201,000
Expenditures			
Department of Transportation			
Capital Account.....	378,800	375,200	423,382
Ordinary Account.....	173,027	174,227	172,040
Total Expenditures.....	<u>551,827</u>	<u>549,427</u>	<u>595,422</u>
Net Expenditures	352,827	348,427	394,422
Source of Funding for Net Expenditures			
Federal Capital Revenues.....	39,206	52,510	53,802
Provincial Contribution from Consolidated Fund.....	313,621	295,917	340,620
TOTAL	<u>352,827</u>	<u>348,427</u>	<u>394,422</u>

Note:

Capital account expenditures relating to the Vehicle Management Agency have been excluded from the total expenditures above.