

**Speech for Main Estimates 2004-2005**  
**Department of Finance**  
**Hon. Jeannot Volpé**  
**April 16, 2004**

Mr. Chair, I am pleased to be here today to take questions on the 2004-2005 Main Estimates programs for which I am directly responsible. These responsibilities include the Office of the Comptroller, the Department of Finance and the Service of the Public Debt.

Within General Government, we are also responsible for the following votes: Legislated Pension Plans and Benefit Accruals and Subsidies, the Supplementary Funding Provision, and the Provision for Losses.

Mr. Chair, I will begin by making a few comments about the Department of Finance, which has the overall responsibility for financial resource management in government. The department's mission is to manage the Province's public finances in the best interests of New Brunswickers.

Since there are numerous new members in the chamber, I will take a couple of minutes to explain how the department is structured to accomplish this important mission. The department has \$73.953 million in Main Estimates for 2004-2005 and is divided into five divisions.

The Budget and Financial Management Division prepares the main and supplementary estimates for the Province within the parameters of a multi-year expenditure plan. This division also provides operational support to the Board of Management.

The Revenue and Taxation Division provides government with advice, information and recommendations with respect to the analysis, design and implementation of the Province's tax and gaming policies. It also provides fair, effective and efficient administration of tax and regulatory programs, and represents the Province in its interactions with the federal government over centrally administered tax programs.

The Economic and Fiscal Policy Division provides policy advice and recommendations to government with respect to the Province's overall budgetary, economic and fiscal position, forecasts revenues and is responsible for the policy development and negotiation of major program transfer agreements with the federal government and the Province's municipalities.

The Treasury Division is responsible for financing the Province's cash requirements through borrowing, debt management, investment, risk management, cash and banking activities. It is also responsible for investor relations and credit rating agency relations.

The Finance and Administration Division provides central administration, financial, human resource and information technology services to the department and a number of other departments, agencies, boards and commissions.

Corporately, Mr. Chair, each of these divisions is committed to providing government with the best possible policy advice on the economic and financial issues facing the province, as well as options to address these issues and their implications.

The staff worked hard before Christmas to produce the 2004-2005 Capital Estimates, which highlighted the government's commitment to invest in strategic infrastructure by maintaining what we have and by building what we need.

More recently, they worked even harder on a larger project – holding pre-budget consultations in nine areas, analyzing feedback from New Brunswickers and putting together the 2004-2005 budget.

The fiscal challenges were many on the way to crafting a balanced budget. The diligence and resourcefulness of the staff helped to produce a budget that contains record investments for the priorities of health and senior care, education and children, as well as investments to create jobs and prosperity.

I am proud that my first budget has no new taxes and no tax increases. I am pleased that less money will be spent on administration and more at the bedside and in the classroom. And, I want to take this moment to publicly thank the dedicated employees who dotted every "i" and checked every figure in the budget.

Along the way, they also improved both the annual report on the economy and the Main Estimates book. And, with the comptroller's staff, they have led the way in making a major change in accounting procedures, by moving to the tangible capital asset reporting model.

Their professionalism and attention to detail in this, and other, matters is well known and greatly appreciated by this minister.

Mr. Chair, to continue with my estimates, I said earlier that the allocation for the finance department is \$73.953 million for 2004-2005. The restated 2003-2004 Main Estimates amount is \$81.069 million. The difference can be explained by changes in three program components.

First, the municipal unconditional grant has been reduced by \$6.410 million. The amount listed in Main Estimates is \$60.657 million, which reflects putting a calendar year payment on a fiscal year basis.

As mentioned in my budget speech, Mr. Chair, the pool will be frozen at \$60.4 million in 2005, 2006 and 2007. This decision provides predictability and stability for municipalities for the next few years. We continue to work toward a new funding formula to replace the one that has made so many mayors so unhappy.

Secondly, the central salary draw and adjustments are higher by \$320,000. Thirdly, Financial Resources Management is lower by \$1.025 million.

I want to elaborate on the reduction of more than one million dollars, Mr. Chair. It may sound like a drastic amount for a small department, but we are working hard to live within our means while treating our employees compassionately. We are also carefully considering the needs of the public we serve.

In my recent budget speech, I spoke of living within our means, reducing expenditures and achieving efficiencies in departments across government. The Department of Finance is no exception and is doing its part.

For example, honourable members may have noticed that all of our budget documents were printed in black-and-white this time. We also printed far fewer copies, referring people to our Web site where everything was posted online and available for easy printing. These may seem like small, symbolic gestures, but every penny counts, Mr. Chair.

These types of measures will save several thousand dollars. Other cost-cutting measures include the cancellation of purchases, such as new computers and subscriptions to journals.

Mr. Chair, we will also take steps to change the way in which we administer the motive fuel tax exemption program. We will not change the tax exemption program itself, but we will convert from a point-of-sales method to a refund method for administering diesel fuel tax exemptions. This will allow us to reduce the administrative expenditures associated with the program, saving approximately \$50,000 this fiscal year.

We will advise the pertinent industries about the design and implementation procedures for the new refund method, Mr. Chair. The industries include agriculture, fishing, silviculture, aquaculture, forestry, manufacturing and mining. We expect the change to take effect on July 1, 2004.

In a related area, the department will also stop providing motive fuel wholesalers with the dye that identifies diesel fuel sold as tax-exempt. As a result of moving to a refund system, there will be a substantial reduction in the volume of dye required. The dye currently costs the department \$80,000 per year. Effective July 1, 2004, the wholesalers will have to assume the cost of the dye that will primarily be required to dye home heating fuels. Home heating fuel is exempt from the fuel tax.

Mr. Chair, it is important for the department to have found such efficiencies, but it is a fact that salaries take up a large part of our budget. In achieving the budget reduction target, there will be an impact on finance department staff.

At the start of this fiscal year, the finance department employed 203 people, of which 177 were full-time employees and 26 were serving in casual, personal service contract or term positions. These people are trained in fields ranging from economics, accounting and auditing to information technology, human resources management and public finance. The department also employs people skilled in commerce, statistics, public administration and many other professional fields.

While the department will save as much as possible in non-salary costs, that tactic alone will not meet the department's budget reduction. Fifteen to 20 positions – just under 10 per cent of the department's positions – could be affected. There can be no guarantee to offer the staff today, but the deputy minister has advised the staff that he will use all the tools at his disposal to minimize layoffs of permanent employees.

For example, the senior management team is now looking at operational requirements to see how many of the currently vacant positions could be eliminated. There may be some organizational changes in the department. Also, a number of long-serving employees may be willing to retire, and that avenue will be explored. It is also possible that a few personal service contracts will be cancelled or not renewed.

Mr. Chair, the department's senior managers will finalize the best combination of options to achieve the budget reduction target for this fiscal year. In doing so, they will be as fair to the employees as they can while still running the business of managing the Province's finances in the best interests of New Brunswickers.

At the outset, Mr. Chair, I referred to other votes for which I am directly responsible. I would now like to provide information on budget reductions related to the operations of the Office of the Comptroller.

The Office of the Comptroller is the government's accountant, internal auditor, central accounts processor and financial management consultant. Funding for nine of the office's 56 positions was given up as a result of budget decisions.

I am pleased to report that no full-time employee of the comptroller's office is facing layoff as a result of meeting the budget reduction target of \$358,000.

As noted in the Main Estimates, the year-over-year budget for this office has been reduced by \$307,000. It was \$5.052 million in 2003-2004 and it is \$4.745 million in 2004-2005. The difference between this number and the actual budget reduction target is a central salary draw increase of \$51,000.

Mr. Chair, the Department of Finance is committed to protecting the fiscal position of the Province, while seeking the lowest overall cost of borrowing. Service of the Public Debt is our fourth largest budgetary expenditure for this fiscal year.

As noted in the budget speech, the cost of servicing the debt as a percentage of total spending in 2003-2004 and 2004-2005 are at the lowest level in two decades. As a percentage of ordinary revenue, debt service is 11.3 per cent for 2004-2005. One can easily see the improvement by contrasting that figure with the result in 1994-1995 – it was 16.1 per cent.

The Auditor General prefers to look at this indicator retrospectively: the cost of servicing the public debt as a percentage of total revenue. He reported in 2003 that, although the cost of servicing the public debt as a percentage of total revenue increased by 0.4 per cent in 2003, the

level has continued to decline. Its peak was 15 per cent in 1995 whereas it was 12.8 per cent in 2003. The level should be even lower in 2004.

Mr. Chair, I will wrap up my comments because I know that the honourable members have many questions to ask me.

As a government, we believe that sound financial management will lead to a secure financial future for New Brunswickers. I can assure the people that the Department of Finance will continue to pursue its mission of managing the Province's public finances in the best interests of New Brunswickers.

In addition to prudent fiscal management, we will strive for competitive taxation policies and spending focused on the priorities of health and senior care, education, jobs and prosperity.

Mr. Chair, I can also assure New Brunswickers that the department will rise to meet all of the challenges to be faced this year in carrying out its mandate. For example, we will continue to push for improvements to the Equalization Program and for more health-care funding from the federal government.

As indicated in my budget speech, we will reduce the small business income tax rate in July 2004, keeping it at the lowest rate in the nation. We will also work on the criteria and mechanisms to bring provincial property tax relief to the low-income, non-profit housing sector.

The finance department will play continue to play a key role in the commercialization of NB Power. We will maintain our fiscal discipline and strive to enhance investor relations and improve our credit rating.

To ensure adequate funding for the government's priorities, we will continue to examine ways to make government more efficient and effective and, at the same time, to provide greater value to taxpayers.

Mr. Chair, the department will carry out its many important responsibilities with the usual mix of extensive knowledge, sound advice, efficient organization and hard work. Again, I thank the employees for their efforts, including senior staff who are here today to assist me in answering your questions on the votes for which I am responsible.

Thank you.