

Budget 2004-2005

Published by:

Department of Finance
Province of New Brunswick
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1
Canada

Internet: www.gnb.ca/0024/index-e.asp

Tuesday, March 30, 2004

Cover:

Communications New Brunswick

Translation:

Debates Translation, Legislative Assembly

Printing and Binding:

Printing Services, Supply and Services

ISBN 1-55236-827-0

ISSN 0833-5680

Printed in New Brunswick

Table of Contents

Introduction	5
New Brunswick's Economic Outlook	7
2003-2004 Fiscal Update	9
2004-2005 Fiscal Outlook.....	10
Living Within Our Means	13
Focusing on Priorities	16
Conclusion	23
Appendix: Summary Budget Information	25

Introduction

Mr. Speaker, I am pleased to rise in the House today to present to the people of New Brunswick the first budget of our second mandate.

It is a budget with one clear message: we must live within our means and we must focus on priorities.

The two go hand in hand. Unless we live within our means, we will not have the money to invest in the priorities that matter most to people.

What are those priorities? This budget makes it clear that the top priorities of this government are the top priorities of New Brunswickers: health and senior care, education and children, jobs and prosperity.

Mr. Speaker, New Brunswick is at a financial crossroads. One road leads to annual deficits and increased debt. We do not want to go there. The other leads to continued balanced budgets, fiscal responsibility, and public investment in what matters most to New Brunswickers.

This is the choice we face. This is the challenge we must meet.

We know New Brunswickers are up to the challenge. We know that New Brunswickers are ready, willing, and able to accept the necessary adjustments today, so it is better for everyone tomorrow.

Mr. Speaker, this budget meets that challenge, implements that change, and moves us forward.

We will live within our means. And we will focus on priorities. That is what New Brunswickers told us to do during our pre-budget consultations, and that is what we are doing today.

We must be prepared to not only change how much money we spend on services, but how those services are delivered. We cannot ask New Brunswickers to do their share, if government is not prepared to do its share.

This will not be easy. In fact, in some cases, it will be quite difficult. But we must do so nonetheless.

This budget is not just about money. We know it is about people first.

If we fail to make the changes now to meet the challenges we face, then our collective financial situation as a province will just get worse.

We know it and New Brunswickers know it. It would be irresponsible not to face this basic financial fact. It would be irresponsible to pretend there are no financial challenges ahead.

Mr. Speaker, the basic financial challenge is there for all to see. It can be summed up quite simply: spending demands are growing faster than revenues. Unless we maintain fiscal balance, the financial gains we have made as a province over the past four years will be at risk.

By not taking action, New Brunswickers would ultimately face reduced services, increased taxes and a higher debt that would burden future generations. This is not a course New Brunswickers are willing to take.

Some people say we can spend our way to prosperity. That is bad enough. Some say we should spend tomorrow's money today. That is even worse. Those who oppose must say precisely what they would do instead.

Mr. Speaker, in preparing this budget, we set clear objectives to guide our decisions. We have stuck with them in making our decisions.

Objective One – invest in priorities. Mr. Speaker, spending on the priorities of health and senior care and education is rising to record levels once again.

Objective Two – invest in job creation. Mr. Speaker, key investments in the Prosperity Plan for innovation, learning and small business are being made.

Objective Three – no tax increases. Mr. Speaker, there are no new taxes and no tax increases.

Objective Four – realize savings and efficiencies. Mr. Speaker, savings and efficiencies in government departments are being realized, and duplication and overlap are being eliminated. These savings are being redirected to front-line care and services.

Objective Five – balance the budget. Mr. Speaker, this budget is balanced.

As a result, I am pleased to announce the main results of this budget.

The budget will be balanced for 2004-2005 with a modest reduction in net debt of \$2.4 million. Our overall net debt-to-GDP ratio will continue to fall as it has every year since our first budget, to a level below 30 per cent.

Furthermore, the budget will be balanced over the four-year period 2000-2001 to 2003-2004 with an anticipated cumulative surplus of \$161.8 million, in accordance with balanced budget legislation. This is the first time that the balanced budget legislation has been met over a four-year cycle.

Health and senior care spending will increase by over \$100 million from last year to a record level of \$2.06 billion, with additional investments in hospital services, Medicare, infrastructure and equipment, the Prescription Drug Program, ambulance services and community health services.

Education spending will increase by over \$25 million from last year to a record level of \$1.15 billion, with new investments in classroom resources, more teachers, high-speed broadband, and early literacy as part of our 10-year Quality Learning Agenda.

New Brunswick's Economic Outlook

Mr. Speaker, I would now like to turn to New Brunswick's economic outlook.

Our provincial economy is shaped by developments nationally as well as internationally. That is what it means to live in a global economy.

There have been a number of significant developments in the global economy over the past year. Economic recovery finally took hold in most industrialized countries during the latter half of 2003. The return of the United States economy to pre-2001 growth rates and improving conditions in Japan and other Asian countries contributed to the resurgence in the world economy.

Last week, the federal finance minister told Canadians in his budget that unexpected economic circumstances had affected the financial health of Canada's economy in 2003. These included the SARS epidemic, the threat of mad-cow disease, an unprecedented appreciation of the dollar, trade disputes with the United States, the power blackout in Ontario, forest fires in British Columbia and Hurricane Juan in the Atlantic Provinces.

As a result, economic growth was markedly weaker across the country than was expected a year ago. Real economic growth in Canada in 2003, now projected at 1.7 per cent, is barely half of what was expected in last year's federal budget and was the weakest performance since 1996.

These economic developments have affected the New Brunswick economy as well. For example, the unprecedented, rapid appreciation of the Canadian dollar versus the U.S. dollar severely impacted our resource-based sectors such as forestry, fisheries, mining, aquaculture and agriculture and related processing industries. This offset much of the positive effects of higher world prices for some of these commodities. This had a considerable impact here at home, given that New Brunswick is the most trade-dependent province in Canada in relation to its overall economic output.

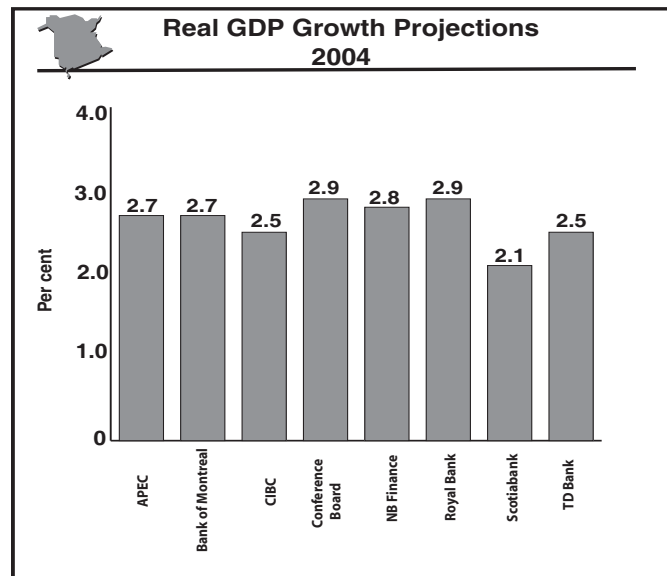
The Department of Finance now estimates growth in real Gross Domestic Product of 2.0 per cent for 2003, compared to the 2.8 per cent estimated in last year's budget. Despite this environment, the New Brunswick economy posted respectable gains, demonstrating the positive impact of our *Prosperity Plan*.

For example:

- Private and public capital investment increased 13.3 per cent, the strongest performance among the provinces.
- Foreign exports from the province reported the second highest growth rate among the provinces with a 4.1 per cent increase.
- Manufacturing shipments increased for the fifth consecutive year, rising 2.7 per cent compared to a decline nationally.
- Wages and salaries earned in the province increased 4.2 per cent, compared to the 3.3 per cent increase for Canada.
- Average weekly earnings for New Brunswickers rose 2.7 per cent, considerably higher than the 1.2 per cent increase for Canada.
- And, provincial housing starts were the highest in 20 years, increasing 16.2 per cent over the previous year.

In the labour force, the number of working New Brunswickers reached a record high last month at nearly 351,000, with the employment level increasing by 7,400 since June 2003. In fact, 24,700 more people are working in our province than in June 1999, when we took office. In February, the unemployment rate declined to 9.5 per cent, its lowest level since May 2002. We are building prosperity in this province and we will continue to do so.

For 2004, most forecasters are expecting economic growth in both Canada and the United States to accelerate. For New Brunswick, private sector forecasters are projecting growth in real GDP to be in the 2.1 per cent to 2.9 per cent range. The Department of Finance is estimating real GDP growth of 2.8 per cent for 2004.



Mr. Speaker, the New Brunswick economy has weathered economic uncertainty in 2003, and things are looking positive in 2004. Measures we have undertaken over the past five years – such as diversifying the economy, reducing income taxes, maintaining fiscal responsibility and

investing in jobs and prosperity – have helped ensure the fundamentals are stronger for continued growth here in New Brunswick. This will result in more jobs and more prosperity for New Brunswickers. But it will only result if we continue to make the financial decisions and exercise the fiscal discipline needed to live within our means, so that we can invest in jobs, growth and prosperity as part of our long-term *Prosperity Plan*.

2003-2004 Fiscal Update

Mr. Speaker, this takes me to the 2003-2004 fiscal update.

In December, the Government told New Brunswickers that the Province was facing a considerable fiscal challenge in the 2003-2004 fiscal year, and that balancing the budget would be difficult. Among the factors noted were the weakening of the national and provincial economies during the year, the rising cost of health care, and an increase in the pension expense.

Despite pressures throughout the year, we maintained our fiscal discipline. We took additional measures to manage expenditures tightly and realized savings and efficiencies.

As a result, overall expenditures are now projected to be \$14.0 million below budget even though we invested an additional \$57.5 million more than budgeted for health and senior care.

Overall revenues are projected to be only \$42.7 million lower than budget, even though the Province faced an equalization reduction of \$112.7 million from budget.

As was indicated in last year's budget, the remainder of the Fiscal Stabilization Fund will be drawn down to help stabilize the Province's fiscal position in 2003-2004 and to ensure the continued provision of services to New Brunswickers.

We are now, therefore, anticipating a deficit for fiscal policy purposes of \$21.3 million for 2003-2004, with an increase in net debt of \$123.2 million. At budget, we projected a \$7.5 million surplus for fiscal policy purposes. If we had not taken corrective action, this deficit would have been far higher and far more significant to all New Brunswickers.

Despite this, Mr. Speaker, I am pleased to report that the Government will fulfil its obligation under the balanced budget legislation with an anticipated cumulative surplus of \$161.8 million over the 2000-2001 to 2003-2004 cycle. Unlike the previous government, we have met our commitment to balance the budget over a four-year cycle. As we begin a new balanced budget cycle, we will now turn our attention to balancing the budget once again over the coming four-year period, as part of our continued commitment to fiscal responsibility on behalf of all New Brunswick taxpayers.

2004-2005 Fiscal Outlook

Mr. Speaker, that leads me to the fiscal outlook for 2004-2005. Our Government has been working diligently to address the fiscal challenge in New Brunswick.

We did so in two main ways.

First, we identified the main financial options facing the Province. We established a cabinet committee, the Resource Maximization Committee, to evaluate approximately 600 government programs and services from the perspective of ensuring efficiencies and savings in government operations and finding new, innovative ways of delivering services. This process led to the development of a pre-budget consultation paper with specific options on addressing the fiscal challenge.

Second, we asked New Brunswickers for their views and suggestions on each option. We provided financial projections for people and spelled out the consequences of not addressing the fiscal challenge. We asked which option New Brunswickers preferred and what specific suggestions they could offer to help meet our financial, economic and social objectives.

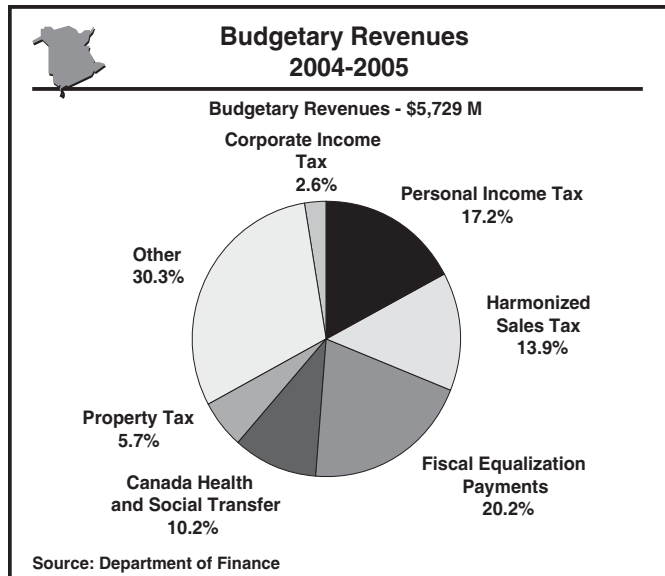
The pre-budget consultation paper set out that, for 2004-2005, expenditure demands considerably exceeded anticipated revenues. Without corrective action, the Province was facing a fiscal challenge in the range of \$300 million. This situation was confirmed with the release of new federal transfer estimates last month.

Throughout the pre-budget consultation process, Mr. Speaker, New Brunswickers made their voices heard at nine well-attended public forums, through meetings with special interest groups, via letters and e-mails and on the Government's public website. In total, over 2,000 suggestions were made. We thank all participants for making their views known, and I want to assure you that each and every submission has been reviewed.

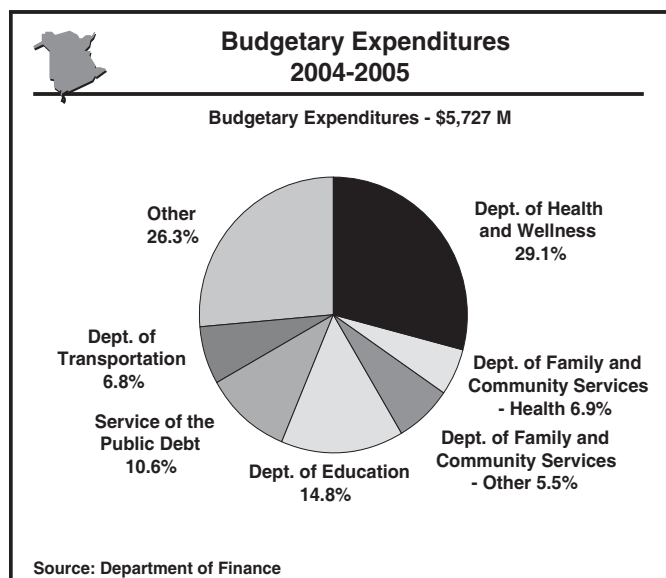
What did we hear, Mr. Speaker? We heard a variety of proposed solutions. Some of these would help address the fiscal challenge while others would, in fact, make it larger. As a result of the process, some common themes emerged:

- New Brunswickers want their social programs preserved.
- New Brunswickers believe that efficiencies can be achieved across government in order to fund health care, education and other priorities.
- And, New Brunswickers are prepared to accept some revenue increases to protect their services.

For 2004-2005, revenues are projected at \$5.729 billion, which represents growth of \$152.6 million, or an additional 2.7 per cent from 2003-2004.



Expenditures for 2004-2005 are estimated at \$5.727 billion. This represents a year-over-year increase of \$128.9 million, or an additional 2.3 per cent.



I am pleased to announce, therefore, that the budget will be balanced for 2004-2005, with a modest reduction in net debt of \$2.4 million and a surplus for accounting purposes of \$54.3 million.

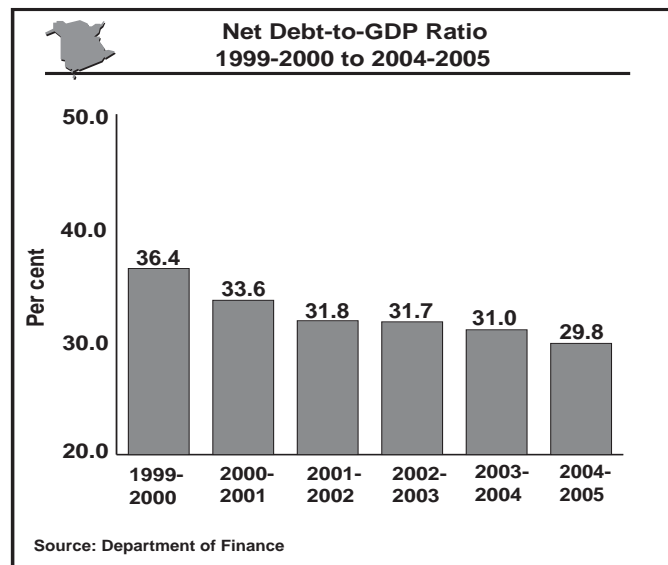
New Brunswick's Fiscal Health

Mr. Speaker, the Government has made considerable in-roads on improving the Province's fiscal health. This has been acknowledged in the Auditor General's report and through the continued support of rating agencies. Today's budget moves us even further along this path.


In the 2003 Report of the Auditor General of New Brunswick, sustainability is defined as the “...degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.” The change in net debt and the net debt-to-GDP ratio are identified as key sustainability measures of the Province’s fiscal health.

Since tabling our first budget, we have reduced the Province’s net debt by more than \$90 million. Our net debt-to-GDP ratio continues to improve, down from 36.4 per cent in 1999-2000 to an estimated 29.8 per cent in 2004-2005. And, debt service costs as a percentage of total spending in 2003-2004 and 2004-2005 are at the lowest levels in two decades.

The Government will continue to focus on reducing net debt, consistent with objectives set out in our 10-year *Prosperity Plan* and our policy document, *Reaching Higher. Going Further*.



In addition, the three main credit rating agencies have confirmed New Brunswick’s rating. Moody’s not only confirmed our A1 rating in February 2003 but boosted our outlook to positive as well. DBRS confirmed our A rating and positive outlook in November, followed by Standard & Poor’s who confirmed our AA- rating with a stable outlook. These important indicators point to the rating agencies’ confidence in New Brunswick’s fiscal plan. To keep their confidence, we must – and we will – maintain fiscal discipline. Today’s budget does so.



Credit Ratings in Effect March 2004

	Standard & Poor's	Moody's	DBRS
Alberta	AAA	Aaa	AAA
Ontario	AA	Aa2	AA
British Columbia	AA-	Aa2	AA (low)
Manitoba	AA-	Aa2	A (high)
New Brunswick	AA-	A1	A
Québec	A+	A1	A
Saskatchewan	A+	Aa3	A
Prince Edward Island	A	A2	A (low)
Nova Scotia	A-	A3	A (low)
Newfoundland and Labrador	A-	A3	BBB

Living Within Our Means

Mr. Speaker, in January, Premier Lord delivered the State of the Province address. In it, he stated: *“We can and we will make the necessary choices to deal with our financial situation and live within our means while at the same time continuing to provide the quality health care and education that New Brunswickers want and need.”*

This is what today’s budget is about. Living within our means. Focusing on priorities.

The measures we have taken to address the imbalance between projected expenditures and revenues will ensure we continue to live within our means.

Today’s budget takes real, tangible steps to keep our expenditures and revenues in line. It will help ensure the province’s prosperity now and into the future. At the same time, today’s budget clearly focuses on the Government’s – and New Brunswickers’ – top priorities: health and senior care, education and children, jobs and prosperity.

To address the fiscal challenge as outlined in our January consultation paper, the Government made a series of difficult but necessary decisions to reduce expenditures and increase some non-taxation revenues.

Reducing Expenditures

Mr. Speaker, New Brunswickers told us during our pre-budget consultations that they believed savings in administration could be realized and resources reallocated to front-line health care and in the classrooms, where it can do the most good. We agree and we have taken decisive action.

The budget realizes efficiencies in government operations and eliminates overlap and duplication. In non-priority areas, we have decided to eliminate or reduce funding for some government programs and we said no to a series of new spending demands.

As a result, these savings and efficiencies will be applied to address our fiscal challenge and to improve front-line care and services, not back-office administration. Priority front-line services will not only be maintained, but in fact will be enhanced.

These decisions will result in the elimination of approximately 750 public service positions. This will create a more affordable, taxpayer-funded public service by eliminating positions that are no longer required. These decisions will also result in the consolidation of some offices and the closure of others.

However, the actual number of job losses will be less than the number of positions eliminated. We will eliminate approximately 130 currently vacant positions. We will implement a targeted early retirement program. We will also provide a severance package and set up a program to re-deploy affected employees to other currently vacant positions and positions that become vacant over time. In addition, employee support programs will be provided to all affected employees.

Increased Revenues

Mr. Speaker, another component of addressing the fiscal challenge was the decision to increase some non-taxation revenues.

There are three types of non-taxation revenues that I would like to mention.

We have included the total New Brunswick portion of the federal government's recently announced, one-time \$2 billion investment in health care in our 2004-2005 Budget, resulting in an additional \$46.9 million for health and senior care.

We will raise revenues from non-taxation sources by increasing some fees to recover a greater portion of the cost of delivering related services. These measures will bring in an additional \$16.8 million. Mr. Speaker, I want to make it clear that no fee will be increased to be greater than the cost of delivering the service.

And, lastly, we will increase fines and penalties across departments, such as for *Motor Vehicle Act* infractions. This will result in an additional \$6.1 million in revenue. Together, these measures will enable us to redirect more dollars to help fund health and senior care as well as education.

Wage Restraint

Mr. Speaker, in order to meet our overall budgetary objectives and to help protect jobs and services, the Government has decided to implement a wage restraint policy.

The preference of the Government is to respect all current collective agreements and the collective bargaining process, as long as we can meet our overall objectives. We prefer negotiated settlements. This budget contains no wage roll-backs. However, it does not contain funds for across-the-board wage increases.

The Government recognizes the work done by its employees, and we respect their dedicated service on behalf of the government and the people of this province. In turn, the Government understands the importance its employees place on the free collective bargaining process. That is why Government has extended an invitation of co-operation to government employee union representatives.

In order to achieve the long-term wage stability we require to keep expenditures under control, we are asking public service unions to accept little to no increase in wages this year, with modest increases in subsequent years as our financial situation improves.

Specialized positions facing demonstrated recruitment and retention needs will be eligible to receive some wage increases through the negotiated collective agreement processes.

Mr. Speaker, New Brunswick is renowned for the quality of its public service. We will continue to work with our professional employees to deliver the programs and services New Brunswickers need. We are proud of their expertise and we will continue to work with them to carry out the mandate of our government.

In total, expenditure reductions, combined with wage restraint measures, will result in savings of approximately \$266 million relative to the spending demands we were facing a few months ago.

Mr. Speaker, today's budget measures will help ensure that our key social programs are protected. Efficiencies have been found across government to ensure adequate funding for our priorities. Limited revenue measures have been introduced in order to protect services. Our overall public sector will become more affordable for taxpayers without new taxes or tax increases being introduced.

The measures we have announced today were necessary to ensure we continue to live within our means. However, our work is by no means done. Today's budget is another important step in making the public service more efficient, effective and affordable.

In the coming months, we will be undertaking further action on consolidating and combining common services throughout government, such as human resources, information technology, financial services and administration. This will affect Parts I, II and III of government.

Another initiative we will be undertaking is a review of all asset requirements in government. We will commence with an extensive review of the provincial parks system. This review will determine whether we should divest certain surplus assets to other levels of government or the private sector to generate additional revenue. In addition, Government will continue to examine alternative service delivery mechanisms in order to provide greater value to taxpayers.

Focusing on Priorities

Mr. Speaker, since taking office, this Government has maintained a strong focus on priorities and this is reflected in the 2004-2005 Budget.

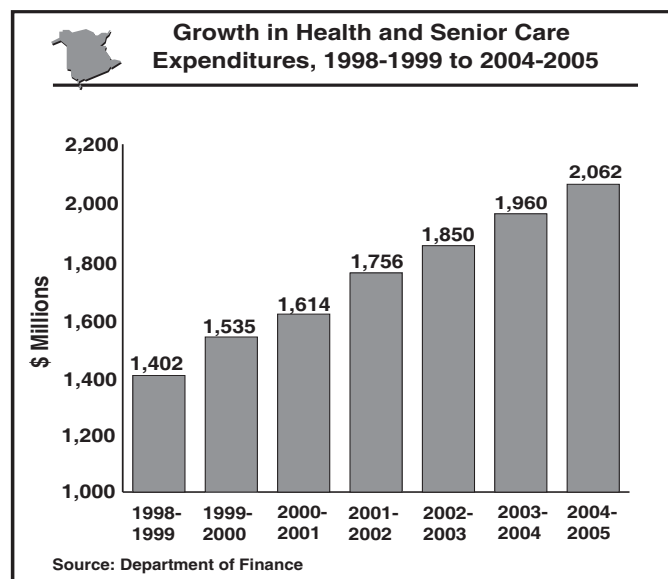
In our first budget in 2000-2001, the Government faced a considerable fiscal challenge. We inherited a significant structural deficit from the previous government. We decided then that we would address the problem. And the record shows that we did. To correct the problem, we asked ourselves some fundamental questions. Do we fund health care or corporate welfare? Do we invest in more books for schoolchildren or more bureaucracy for government? Do we cut taxes or create more programs?

Leading to today's budget, we found ourselves asking the same fundamental questions. In fact, we engaged New Brunswickers on the issue. The conclusion is the same now as it was then. Health and senior care, education and children, jobs and prosperity remain our priorities. These are also priorities for New Brunswickers.

What is the result? Spending per person on health and senior care is projected at \$2,748 in 2004-2005, an increase of 47.1 per cent from the 1998-1999 level of \$1,868. Direct spending per student in Kindergarten to Grade 12 now stands at \$6,232, a 29.0 per cent increase from \$4,829 in 1998-1999. In addition, the lowest small business tax rate in Canada and other prosperity initiatives have contributed to more New Brunswickers working now than ever before.

Investing in Health and Senior Care

Mr. Speaker, today's budget will see a record level of investment in health and senior care totalling \$2.06 billion. This represents an increase of 5.2 per cent from the revised 2003-2004 spending level. This includes health-related spending, both ordinary and capital, in the departments of Health and Wellness and Family and Community Services.



With this budget, we will continue to invest in priority initiatives, including the renewal and reform of our health care system. In order to focus on our priorities, we will streamline growth in program areas and realize administrative savings. This will result in more revenues at the bedside and for front-line service, and less on administration.

The 2004-2005 Budget includes:

- Funding of \$905.9 million for Hospital Services, an increase of \$17 million from the revised 2003-2004 spending level.
- \$376.4 million for Medicare – a 9.8 per cent increase from 2003-2004.
- A total of \$132.0 million for the Prescription Drug Program, representing an increase of 12.7 per cent relative to revised 2003-2004 spending.
- And, \$396.6 million for community health services in the Department of Family and Community Services, up 3.9 per cent from the current fiscal year.

The 2004-2005 fiscal year will see the roll-out of the Province's provincial health plan, which will set out the framework for implementing our vision of patient-focused and community based health care. It will mean improved health services, designed to meet the health care needs of New Brunswickers for today and for tomorrow. The Government remains committed to providing New Brunswickers with a full range of health care services that are efficient, effective and affordable over the long term.

Additional funding of \$2.5 million will be invested this year towards a cancer strategy in New Brunswick. Over a two-year period, a new governance structure called the *New Brunswick Cancer Network* will be implemented. As part of this initiative, a provincial cancer network leader will be appointed, appropriate infrastructures put into place, and a provincial cancer advisory council will be established.

As well, we will be introducing a \$500,000 Wellness Strategy Action Plan with the goal to reduce obesity in our children and youth. This strategy will promote healthy eating, increased physical activity levels, good nutrition, reduced tobacco and alcohol use, and improved mental health. The investments we make in promoting wellness are an investment in the health and quality of life for all New Brunswickers.

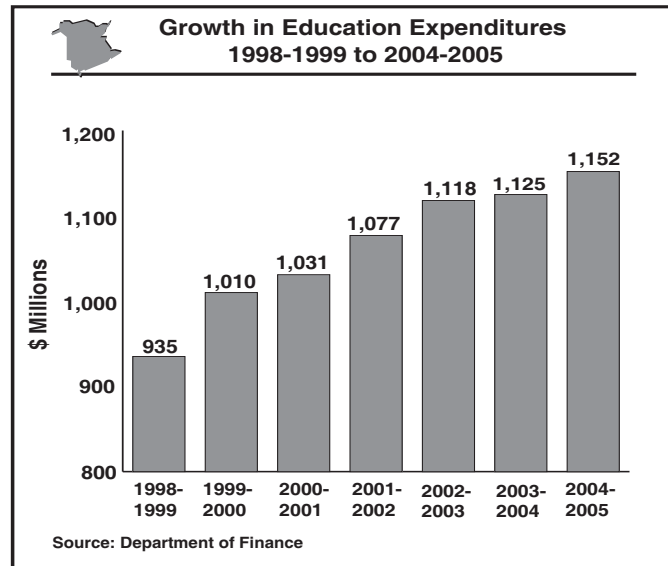
Another important investment in the coming year will be \$4.0 million towards an ambulance services enhancement. This will be the next step in a process that will lead to primary care paramedic services as a minimum standard of care in New Brunswick. This is an important component of health care reform and renewal in New Brunswick.

At the same time, Mr. Speaker, we recognize that money alone will not solve our health care challenges. Change is required. We have already begun to reform the health care system in New Brunswick. We will also continue to work with other provincial and territorial governments on this important issue.

Investing in Education and Children

Mr. Speaker, Investing in People is one of four building blocks in our *Prosperity Plan*. Providing our children with quality learning opportunities is the best way to invest directly in our future.

Today's budget provides for a record investment in education and children of \$1.15 billion, an increase of 2.4 per cent over revised 2003-2004 spending levels.



Even in this time of fiscal restraint, we are enhancing our commitment to education. It is the foundation of a competitive and compassionate New Brunswick. A true measure of our collective success is how well our children are prepared to live in today's world and work in tomorrow's economy.

That means we must focus our resources where they can have the most positive impact on students – in the classroom. To do this, growth in other program areas will be streamlined and administrative savings realized. The result will be more money in the classroom and less on administration. That is how we will focus on our priorities.

Even though our school system will see a 1.4 per cent reduction in enrolment this year, or 1,608 students, funding of \$736.4 million is being provided for K-12, an increase of 1.3 per cent from 2003-2004. This includes additional funding for Quality Learning Agenda initiatives.

Mr. Speaker, our Quality Learning Agenda was unveiled just under a year ago. It is a 10-year strategic plan to build a world-class public education system that aspires to excellence and achievement at all times. We will meet the commitments we have set in the Quality Learning Agenda.

In the first year, we began with a focus on early literacy. To support this initiative, we hired 125 early literacy specialists and provided more funding for classroom reading materials.

We connected all schools to high-speed broadband and provided all students with library cards to help foster an environment that supports learning. In December, we renewed our commitment to the Healthy Schools infrastructure program, with the announcement of a new four-year, \$100 million program.

Today, we will continue to implement our agenda.

Mr. Speaker, the Quality Learning Agenda committed to adding 500 permanent teaching positions over four years, with the addition of 125 teaching positions each year. In 2004-2005, we will accelerate this commitment, with the addition of 200 new teaching positions. As a result, we will have created 325 new teaching positions over the first two years.

A total of 125 teaching positions will be added to the school system in 2004-2005 to focus on the priority area of early literacy from Kindergarten to Grade 3. At the same time, it will provide school districts with the flexibility to meet their needs in math, science, physical education, and for language upgrading for children of “les Ayants droit.”

In addition, another 75 teaching positions will be added this year to focus on helping schools meet the special needs of students. This will help address issues associated with classroom composition and will allow school districts to focus additional teaching resources in the classroom to meet the needs of all students.

This is a key part of our commitment in the Quality Learning Agenda to focus resources in the classroom to better provide the continuum of educational services for all students, by challenging and supporting students with a broader range of educational needs.

Since 1999, we have taken action to ensure schools have access to basic supplies with an annual \$1 million “top-up” fund. I am announcing today the creation of a \$10 million Quality Classroom Resource Fund. Over the next four years, we will add an additional \$2.5 million each year for supplies and resources for students and teachers. This will help ensure that schools have better supplies in the classroom to provide students with a positive learning environment.

We will also be creating a \$1.8 million Quality Technology Infrastructure Enhancement Fund. This fund will help our schools make better educational use of our information technology capability by ensuring our students and teachers have the infrastructure and technical support they need.

Mr. Speaker, New Brunswick has one of the highest post-secondary participation rates in Canada. We will continue to improve accessibility, affordability and quality education for New Brunswickers. We are reaffirming our commitment to those objectives with a renewed commitment to increase funding over four years by 13 per cent.

Today’s budget marks our fifth consecutive increase in funding to universities in New Brunswick, with a two per cent increase in operating funding for 2004-2005.

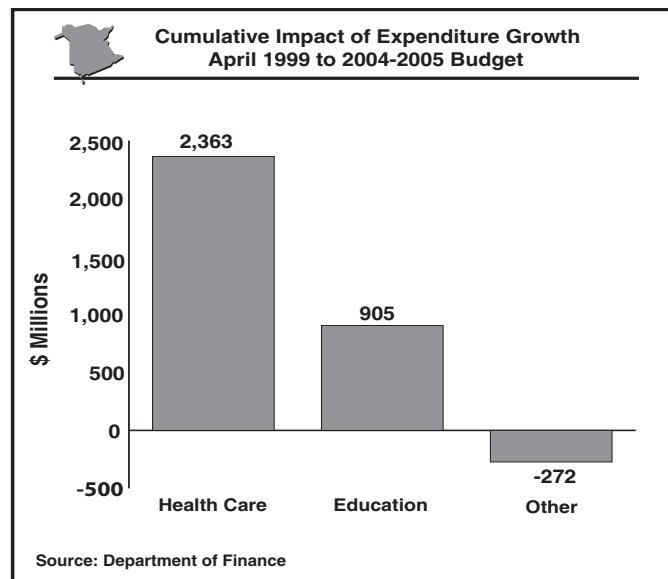
In addition, we will complete our \$15 million University Infrastructure Program by investing the final \$5 million in 2004-2005. This will help universities provide a quality learning and research environment through strategic investments to enhance their physical and technological infrastructure.

New Brunswick universities will also benefit from the property tax exemption for most university properties that was introduced earlier this year.

Mr. Speaker, investing in early childhood development, early learning and child care is another priority of the Government. Helping children get the best start in life is a key to our commitment to family-oriented policies. I am pleased to announce that we will invest a record \$5.7 million in initiatives that will directly benefit child care facilities. This includes \$4 million to continue improving the salary and working conditions of child care workers, and \$1.3 million for their training.

Just as we know it is important to improve the quality of our child care facilities, we also know how important it is to improve the affordability of child care for working families. That is why I am pleased to announce that we will invest a further \$1.7 million for a total of \$8 million per year in the Day Care Assistance Program.

Mr. Speaker, our track record on health and senior care and education, including capital spending, speaks for itself. Since 1999, cumulative new funding for health and senior care totals approximately \$2.4 billion, and \$0.9 billion for education. At the same time, other government expenditures have fallen by \$0.3 billion.



The Government has committed to investing 75 per cent of all new program spending on health and senior care and education. Today's budget far exceeds this target.

Investing in Jobs and Prosperity

Mr. Speaker, investing in jobs and prosperity is a key priority of this government. Our 10-year *Prosperity Plan* sets out the framework for a more prosperous New Brunswick.

Building Strategic Infrastructure is a key building block of our *Prosperity Plan*. In December, the Government tabled its 2004-2005 capital estimates, with a gross capital budget of \$375.8 million. This represents a 25.4 per cent increase from the revised 2003-2004 level.

The investments set out in the 2004-2005 capital estimates are strategic and focused. They will help strengthen our competitiveness, enhance public health and safety and improve the quality of life for New Brunswickers. The priorities for capital spending encompass health care, education, transportation, municipal infrastructure, and the safety and security of New Brunswickers.

Embracing Innovation is another building block of our *Prosperity Plan*. The Government is focused on becoming a global leader in the digital economy through its comprehensive eNB.ca strategy. A total of \$10.9 million is provided in today's budget as part of a three-year initiative to extend broadband access to most New Brunswick communities.

By 2006, 90 per cent of New Brunswickers and 95 per cent of New Brunswick businesses will have access to high-speed Internet as a result of a partnership with the federal government and Aliant. The potential of broadband technology will help strengthen our rural communities and our province through increased opportunities for e-learning, e-business, e-health and other on-line services.

The 2004-2005 Budget provides a further \$2.5 million for advanced mineral exploration for the Bathurst Mining Camp. This is the second year of a three-year partnership with the private sector, which will see a total of up to \$15 million invested in advanced exploration. The discovery of new deposits that are economically extractable in the Bathurst Mining Camp could help maintain the nearly 1,000 jobs at Brunswick Mines.

The Government has also reaffirmed its commitment of \$19.5 million in developmental funding, including \$15.0 million for regional and community economic development and \$4.5 million for total development.

Last year, the Government enhanced its Research and Development Tax Credit and introduced a New Brunswick Small Business Investor Tax Credit. We will continue to support and promote these initiatives, which encourage new investment and contribute to New Brunswick's competitive advantage.

Mr. Speaker, competitive taxes is a cornerstone priority of the Creating a Competitive Fiscal and Business Environment building block in our *Prosperity Plan*. The Government has made significant progress with respect to the tax system in New Brunswick. New Brunswick needs competitive taxes in order to attract new investment and create new jobs.

Today, I am announcing lower taxes for small business. Effective July 1, 2004, the provincial small business corporate income tax rate will be reduced from 3 per cent to 2.5 per cent – the lowest rate in the country. Effective the same day, the income threshold eligible for the small business corporate income tax rate will increase from \$400,000 to \$425,000. This will result in additional savings of \$2.1 million in 2004-2005, helping to stimulate jobs and economic growth.

Since taking office, Mr. Speaker, New Brunswickers have benefited from cumulative personal income tax savings of \$471 million as a result of tax measures we have undertaken. In 2004-2005 alone, New Brunswickers will realize savings of \$123 million.

Over the same period, businesses in New Brunswick have benefited from \$197 million in cumulative provincial corporate income tax savings. They will realize savings of \$74 million in 2004-2005 alone.

We are committed to providing even more personal and business income tax relief to New Brunswickers over the course of our new mandate.

Other Investments

Mr. Speaker, affordable housing for low-income families and seniors remains a key social issue in New Brunswick and across the country. To help combat this problem, the budget for the Department of Family and Community Services reflects an additional \$5.2 million under the Affordable Housing Agreement.

The non-profit housing sector is operated largely by volunteers and benefits low-income families and seniors, improving their quality of life. Many non-profit housing organizations are experiencing financial challenges that could hamper their feasibility in the future.

To address this issue, effective for the 2005 taxation year, qualifying non-profit housing organizations will be provided relief from provincial property tax applied to their low-income rental housing property. This will significantly reduce the property tax burden on qualifying non-profit rental housing. It will also encourage the provision of more affordable housing for low-income individuals and families.

Today's budget also sees a \$1.2 million increase in the provincial contribution towards wages paid to in-home support workers. This not only fulfils our three-year commitment to increase provincial support by \$1.00 per hour, but also provides additional funding of \$0.4 million.

Culture is an essential component of community life and a powerful stimulus for social and economic prosperity throughout our province. We will be fulfilling another commitment in allocating \$720,000 as the final instalment of our three-year, \$2.8 million commitment to increase cultural funding under our Cultural Policy.

Mr. Speaker, municipalities continue to seek greater predictability and stability in municipal unconditional grant funding. Today's budget announces that the total funding pool will be maintained at the current level of \$60.4 million for 2005, 2006 and 2007. We recognize the

challenges facing municipalities in providing adequate public services without an undue tax burden. We are facing the same challenges. Nevertheless, the Government has decided that it will not claw back the GST rebate to cities being provided by the federal government.

Improving municipal and rural infrastructure is a strategic focus of the Government. A total of \$14.5 million is provided in the capital budget, primarily to ensure safe drinking water and more effective waste management systems, and to help defray costs related to water and wastewater projects in municipalities.

Conclusion

Mr. Speaker, the 2004-2005 Budget is the first of our new mandate and a new four-year balanced budget cycle. We were faced with a significant fiscal challenge leading to today's budget. We could have chosen to ignore it. Some have called for just that. But if we did that, New Brunswick would have returned to the days of large deficits and growing debt. We will not let it happen.

Today's budget reinforces our strong commitment to fiscal responsibility and to living within our means. It delivers a balanced budget for 2004-2005 and a cumulative surplus over the 2000-2001 to 2003-2004 period.

It continues to invest in the top priorities of New Brunswickers: health and senior care, education and children, jobs and prosperity. It provides more money in the classroom and at the bedside, and less on administration. We are living within our means in order to focus on priorities.

Initiatives in today's budget address a number of commitments set out in the Government's election platform and State of the Province address. These include the addition of another 200 teaching positions, funding for enhanced ambulance services, greater access to day care, the lowest small business tax rate in the country, and a balanced budget for 2004-2005. In addition, we have more than met our commitment to invest at least 75 per cent of new program spending in health and senior care and education. We will continue to deliver on our commitments to New Brunswickers.

Ministers will be providing additional details in departmental estimates throughout the session.

Mr. Speaker, addressing the fiscal challenge today is in the best interest of New Brunswick for tomorrow. By continuing to live within our means, it will ensure that we can invest in the prosperity and priorities of New Brunswickers now and into the future.

Moving forward, we will continue to examine ways to make government more efficient and effective to provide greater value for taxpayers.

Most of all, we will work with New Brunswickers to achieve greater prosperity for all.

Thank you.

Appendix: Summary Budget Information

BUDGET PLAN
STATEMENT OF SURPLUS OR DEFICIT
2004-2005
Thousands
\$

BUDGET PLAN	<u>Year Ending March 31</u>
	2005
BUDGETARY ACCOUNTS	Estimate
Ordinary Account:	
Revenues	5,363,457
Expenditures	<u>5,268,423</u>
Surplus (Deficit)	95,034
Capital Account:	
Revenues	44,126
Expenditures	<u>375,800</u>
Surplus (Deficit)	(331,674)
Special Purpose Account:	
Revenues	38,303
Expenditures	<u>37,908</u>
Surplus (Deficit)	395
Special Operating Agencies:	
Revenues	203,118
Expenditures	<u>192,450</u>
Surplus (Deficit)	10,668
Sinking Fund Earnings	228,000

STATEMENT OF SURPLUS OR DEFICIT	
(Increase) / Decrease in Net Debt	2,423
Gross Investment in Tangible Capital Assets	295,364
Capital Revenues Related to Tangible Capital Assets	(42,950)
Amortization Expense	<u>(200,556)</u>
Surplus (Deficit)	54,281

Note: Columns may not add due to rounding.

BUDGET PLAN
2003-2004
Thousands
\$

	Year Ending March 31	
	2004 Estimate Restated	2004 Revised
BUDGETARY ACCOUNTS		
Ordinary Account:		
Revenues	5,135,147	5,104,047
Expenditures	<u>5,255,497</u>	<u>5,216,571</u>
Surplus (Deficit).....	(120,350)	(112,524)
Capital Account:		
Revenues	55,685	53,312
Expenditures	<u>296,792</u>	<u>299,679</u>
Surplus (Deficit).....	(241,107)	(246,367)
Special Purpose Account:		
Revenues	34,930	37,978
Expenditures	<u>33,709</u>	<u>35,041</u>
Surplus (Deficit).....	1,221	2,937
Special Operating Agencies:		
Revenues	184,931	201,376
Expenditures	<u>170,731</u>	<u>191,603</u>
Surplus (Deficit).....	14,200	9,773
Sinking Fund Earnings	245,000	223,000
(Increase) / Decrease in Net Debt	(101,036)	(123,181)
Transfer (to) from Fiscal Stabilization Fund	108,500	101,898
Surplus (Deficit) for Fiscal Policy Purposes	7,464	(21,283)

Note: Columns may not add due to rounding.

NEW BRUNSWICK ROAD IMPROVEMENT FUND
2004-2005
Thousands
\$

	Year Ending March 31		
	2004 Estimate	2004 Revised	2005 Estimate
Revenue			
Gasoline and Motive Fuel Tax	237,300	235,000	239,350
Expenditures			
Department of Transportation			
Capital Account	196,000	199,785	241,750
Ordinary Account	<u>146,630</u>	<u>144,766</u>	<u>140,976</u>
Total Expenditures	342,630	344,551	382,726
Net Expenditures	105,330	109,551	143,376
Source of Funding for Net Expenditures			
Federal Capital Revenues	44,325	49,310	37,450
Provincial Contribution from Consolidated Fund	<u>61,005</u>	<u>60,241</u>	<u>105,926</u>
TOTAL	105,330	109,551	143,376

N.B. Road Improvement Fund revenues and expenditures are included in the ordinary and capital accounts in the budget plan.

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

Note: Columns may not add due to rounding.

FISCAL STABILIZATION FUND
2004-2005
Thousands
\$

Year Ending March 31

	2004 Estimate	2004 Revised	2005 Estimate
Opening Balance	105,500	98,908	0
Deposit	0	0	0
Earnings.....	3,000	2,990	0
Withdrawal	<u>(108,500)</u>	<u>(101,898)</u>	<u>0</u>
Closing Balance	0	0	0

GROSS CONSOLIDATED REVENUE
2004-2005
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCY</u>	<u>INTER-ACCOUNT TRANSACTIONS</u>	<u>TOTAL</u>
Agriculture, Fisheries and Aquaculture	3,306					3,306
Business New Brunswick	19,649	20				19,669
Education	26,694		19,219			45,913
Energy	322					322
Environment and Local Government	3,055		4,920			7,975
Family and Community Services	65,114	500	5,152			70,766
Finance	4,579,662		56			4,579,718
General Government	22,900		1,748			24,648
Health and Wellness	35,257	5,500	1,335			42,092
Justice	48,280		449			48,729
Legislative Assembly	18					18
Natural Resources	80,026	50	2,328			82,404
Office of the Comptroller	100					100
Other Agencies	260,620					260,620
Public Safety	94,029		2,555	4,358		100,942
Regional Development Corporation	9,333	221		31,560	(15,725)	25,389
Supply and Services	954		505			1,459
Tourism and Parks	3,225			1,009		4,234
Training and Employment Development	106,395		36	95,417	(61,535)	140,313
Transportation	<u>4,520</u>	<u>37,835</u>	<u> </u>	<u>70,774</u>	<u>(70,774)</u>	<u>42,355</u>
TOTAL	5,363,457	44,126	38,303	203,118	(148,034)	5,500,970
Sinking Fund Earnings						<u>228,000</u>
GROSS CONSOLIDATED REVENUE						<u><u>5,728,970</u></u>

Note: Columns may not add due to rounding.

GROSS CONSOLIDATED EXPENDITURE
2004-2005
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCY</u>	<u>INTER-ACCOUNT TRANSACTIONS</u>	<u>TOTAL</u>
Agriculture, Fisheries and Aquaculture	28,487	300				28,787
Business New Brunswick	37,897					37,897
Education	784,497	1,000	19,219			804,716
Energy	1,894					1,894
Environment and Local Government	56,261	1,450	5,100			62,811
Executive Council Office	2,387					2,387
Family and Community Services	709,718		2,700			712,418
Finance	73,953		56			74,009
General Government	418,152		1,845			419,997
Health and Wellness	1,610,428	30,473	1,335			1,642,236
Intergovernmental and International Relations	3,150					3,150
Justice	42,015		449			42,464
Legislative Assembly	18,944					18,944
Maritime Provinces Higher Education Commission	185,003					185,003
Natural Resources	94,155	1,600	2,378			98,133
Office of the Comptroller	4,745					4,745
Office of Human Resources	5,371					5,371
Office of the Premier	1,107					1,107
Public Safety	92,616		2,681	4,358		99,655
Regional Development Corporation	41,069	14,845		32,870	(15,725)	73,059
Service of the Public Debt	604,000					604,000
Supply and Services	90,024	76,882	2,109			169,015
Tourism and Parks	25,403	500		931		26,834
Training and Employment Development	196,121		36	95,417	(61,535)	230,039
Transportation	<u>141,026</u>	<u>248,750</u>	<u> </u>	<u>58,874</u>	<u>(70,774)</u>	<u>377,876</u>
TOTAL	<u>5,268,423</u>	<u>375,800</u>	<u>37,908</u>	<u>192,450</u>	<u>(148,034)</u>	<u>5,726,547</u>

COMPARATIVE STATEMENT OF ESTIMATED GROSS REVENUE BY SOURCE
2004-2005
Thousands
\$

	<u>Year Ending March 31</u>		
	2004 Estimate Restated	2004 Revised	2005 Estimate
OWN SOURCE			
Taxes			
Personal Income Tax.....	924,100	952,000	983,700
Corporate Income Tax	142,300	110,800	149,900
Metallic Minerals Tax.....	5,000	2,200	2,200
Provincial Real Property Tax.....	314,764	307,364	326,600
Harmonized Sales Tax	734,700	801,200	793,700
Gasoline and Motive Fuel Tax.....	237,300	235,000	239,350
Tobacco Tax.....	95,200	97,000	100,000
Pari-Mutuel Tax	80	80	80
Insurance Premium Tax	41,300	35,775	36,050
Real Property Transfer Tax.....	4,000	4,000	4,200
Large Corporation Capital Tax	36,400	47,300	47,900
Financial Corporation Capital Tax.....	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>
Sub-Total: Taxes	<u>2,543,944</u>	<u>2,601,519</u>	<u>2,692,480</u>
Return on Investment	188,133	164,291	146,928
Licenses and Permits	98,177	96,484	97,170
Sale of Goods and Services	204,546	200,569	224,253
Royalties	63,444	68,261	68,199
Lottery Revenues	115,553	117,207	119,925
Fines and Penalties	1,736	1,685	7,835
Miscellaneous	<u>14,362</u>	<u>15,444</u>	<u>14,228</u>
TOTAL: OWN SOURCE REVENUE	<u>3,229,895</u>	<u>3,265,460</u>	<u>3,371,019</u>
Unconditional Grants – Canada			
Fiscal Equalization Payments	1,202,000	1,089,301	1,154,600
Canada Health and Social Transfer.....	511,100	521,500	0
Health Reform Transfer	0	23,750	35,300
Canada Health Transfer	0	0	385,400
Canada Social Transfer	0	0	196,900
Other	<u>1,900</u>	<u>1,900</u>	<u>1,900</u>
Sub-Total: Unconditional Grants – Canada	<u>1,715,000</u>	<u>1,636,451</u>	<u>1,774,100</u>
Conditional Grants – Canada	190,252	202,136	218,338
TOTAL: GRANTS FROM CANADA	<u>1,905,252</u>	<u>1,838,587</u>	<u>1,992,438</u>
TOTAL: GROSS ORDINARY REVENUE	<u>5,135,147</u>	<u>5,104,047</u>	<u>5,363,457</u>

Note: Columns may not add due to rounding

NET DEBT
2004-2005
Thousands
\$

	Year Ending March 31		
	2003 Actual	2004 Revised	2005 Estimate
Net Debt as at March 31 of the previous year	6,603,581	6,712,995	6,836,176
(Increase) / Decrease in Net Debt for the Year.....	<u>(109,414)</u>	<u>(123,181)</u>	<u>2,423</u>
Net Debt -- End of Year	6,712,995	6,836,176	6,833,753