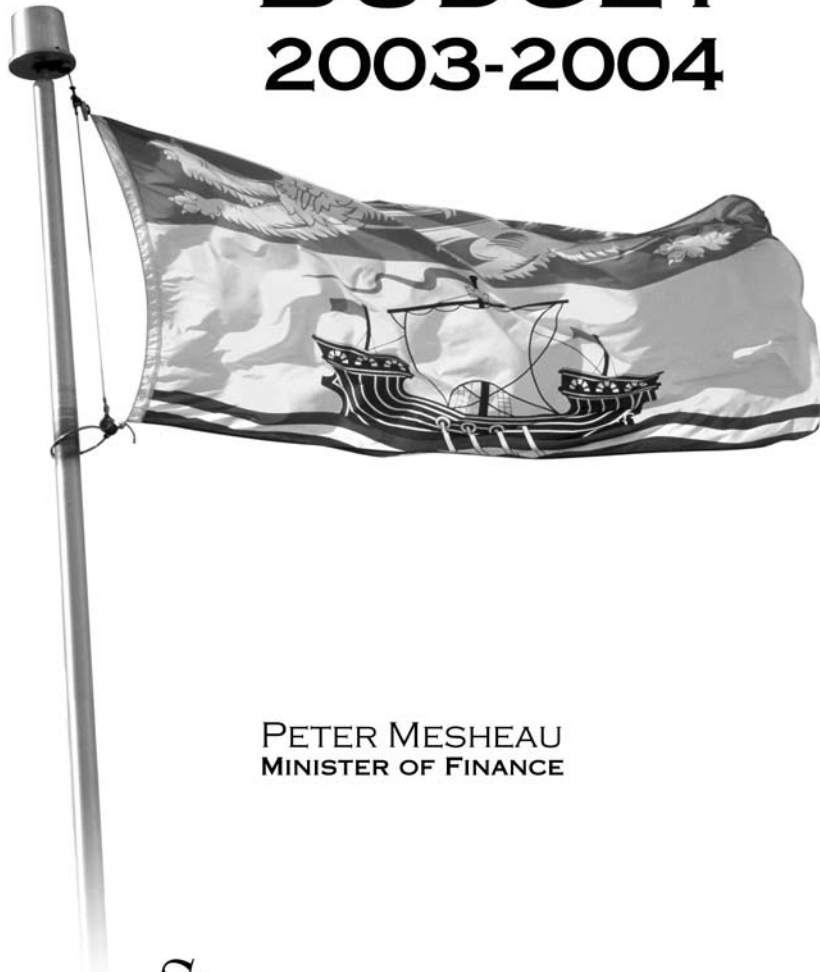




BUDGET 2003-2004



PETER MESHEAU
MINISTER OF FINANCE

Strengthening Prosperity

New  Nouveau
Brunswick
C A N A D A

Budget Highlights 2003-2004

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2003-2004 Budget

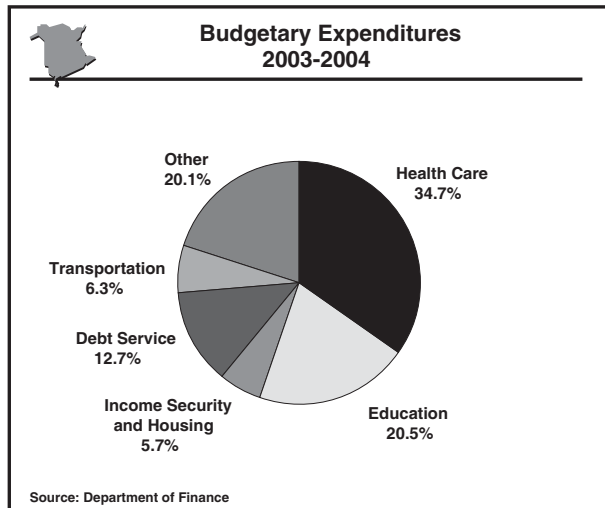
Strengthening Prosperity

The 2003-2004 Budget will help strengthen New Brunswick's prosperity by investing in the most important public priorities of New Brunswickers—health care, education, jobs and infrastructure—while continuing to exercise strong fiscal discipline and management to ensure lower taxes and a balanced budget.

As a result of our plan and this approach, New Brunswickers will benefit from:

- a record \$1.88 billion in funding for health and senior care, with new investments of \$78.4 million
- a record \$1.12 billion in funding for education, with new investments of \$25.9 million
- capital spending of \$281.1 million, an increase of 10 per cent from last year
- \$196 million in capital spending for roads and highways, an increase of over 17 per cent from last year
- an additional \$54 million in income tax relief for people and businesses, compared to 2002-2003
- a budgetary surplus of \$7.5 million for 2003-2004
- a cumulative surplus of \$57.4 million for the four-year balanced budget period.

This budget continues our balanced approach of strong fiscal management and social program investment. It is a balanced approach that meets the needs of New Brunswickers today while building for a brighter tomorrow.



Economic Outlook

The world economy reported a mixed performance in 2002 as it began its recovery from the problems of 2001. The United States economy has been slow to recover. Canada, on the other hand, reported the strongest growth among the major industrialized nations, and is expected to do so again in 2003. Despite the weaker economic demand in the United States, the New Brunswick economy posted some important gains in 2002:

- Department of Finance now estimates real growth in Gross Domestic Product (GDP) of 1.8 per cent for 2002
- New Brunswick was tied in reporting the strongest employment creation rate among provinces in the first 11 months of the year, generating 11,000 net new jobs
- the unemployment rate has declined from 11.4 per cent last December to 10.3 per cent in November 2002
- November 2002 data showed New Brunswick had the highest employment level ever at 349,200 people

- tourism revenues are forecast to reach an all-time high in 2002, up 9.4 per cent from last year, the largest single-year increase on record
- New Brunswick farmers have enjoyed the largest increase in farm cash receipts among provinces so far this year.

Private sector estimates for real GDP growth range from 2.6 per cent to 3.9 per cent. The Department of Finance is estimating real GDP growth at 2.8 per cent for 2003, with growth in the same range for 2004.

Fiscal Update 2002-2003

A budgetary surplus of \$3.0 million is anticipated for 2002-2003. The reduction in the anticipated surplus from \$21.3 million is related to developments outside of the government's direct control and not due to government spending, which is lower than budget:

- revenues are down \$46.1 million from budget; this is mainly due to a shortfall of \$99.5 million in net income, attributable to difficult years being experienced by NB Power and Workplace Health, Safety and Compensation Commission (WHSCC)
- an additional \$24.2 million is being drawn into revenues from the Fiscal Stabilization Fund, for a total of \$104.2 million in 2002-2003; this was necessary to ensure the continued provision of essential public services.

Fiscal Outlook 2003-2004

Our financial margin to manoeuvre in 2003-2004 is limited due to a number of factors, including a marked increase in the pension expense. However, the government will continue to be fiscally responsible in managing government spending, ensuring its fourth consecutive balanced budget.

- the Province is projecting a budgetary surplus of \$7.5 million for 2003-2004

- revenues are projected at \$5.483 billion, an increase of 4.6 per cent from the revised level for 2002-2003
- the remaining \$108.5 million from the Fiscal Stabilization Fund has been drawn into revenues in 2003-2004
- expenditures are estimated at \$5.476 billion, up 4.5 per cent from 2002-2003.

Capital Spending

The 2003-2004 Budget provides for gross capital spending of \$281.1 million. This represents an increase of \$25.5 million, or 10 per cent, over 2002-2003 revised spending.

The budget for the Department of Transportation is over 17 per cent higher than in 2002-2003. It includes \$196.0 million for roads and highways in 2003-2004, including funds to twin the Trans-Canada Highway.

The full amounts of current, existing federal-provincial agreements on roads and highways will be invested over the next five years.

Gross capital expenditures will more than double in the Department of Health and Wellness, growing by \$12.4 million to \$24.0 million. Projects include new Community Health Centres, medical equipment and capital improvements in health institutions.

This budget invests \$34.0 million in education infrastructure. Included are \$25.0 million for the fourth year of the \$100.0 million Healthy Schools program as well as funding to complete the expansion of high-speed Internet broadband for schools and community colleges.

Improvements totalling \$2.0 million will be made in the Community College network. The budget also provides \$10.6 million for “green” infrastructure under the fourth year of the six-year Canada-New Brunswick Infrastructure Program.

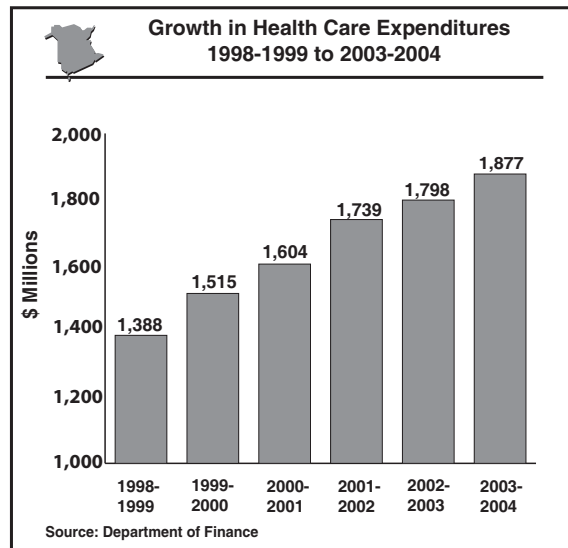
Health and Senior Care

Health and senior care is a top priority for the government. The 2003-2004 Budget provides for record levels of health and senior care funding of \$1.88 billion. This represents an increase of \$78.4 million, or 4.4 per cent, over the revised 2002-2003 level:

- \$843.1 million for Hospital Services
- \$388.8 million for nursing home services and long-term care
- \$327.3 million for Medicare
- \$114.5 million for the Prescription Drug Program
- \$2.0 million in assistance to nursing homes for WHSCC premium payments this year under a three-year commitment.

Increases include:

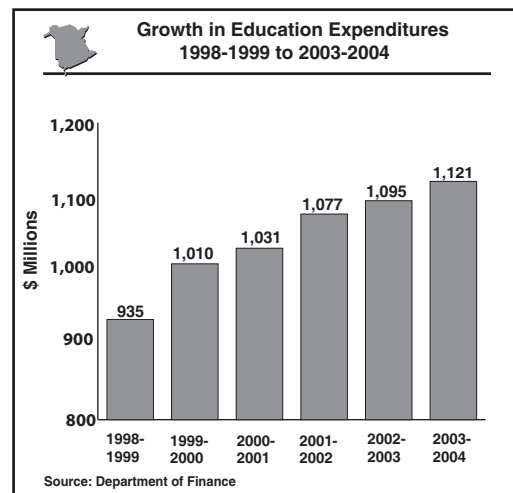
- \$2.0 million to improve resident care in nursing homes
- fourth consecutive increase of \$250 per year in certified disability supplement, which means recipients will receive \$1,000 more in 2003 than in 1999
- 25 cent per hour wage increase for in-home support workers; it is the second phase of a three-year commitment to increase provincial support by \$1 per hour.



Education and Children

Investing in people is a cornerstone of our 10-year *Prosperity Plan*. Total spending on education will reach a record level of \$1.12 billion in 2003-2004, an increase of \$25.9 million from last year:

- \$716.9 million for Kindergarten to Grade 12, which includes an initial investment of \$2.5 million for a new early literacy initiative (under the Quality Learning Agenda)
- \$6.1 million for university base funding (3.4 per cent increase over 2002-2003), part of a new 10 per cent, three-year funding commitment
- \$2.3 million for early childhood development programs
- \$2.1 million for student bursaries to enhance access to post-secondary education.



Other 2003-2004 spending priorities include:

- \$5.0 million for the new \$25 million, five-year Restigouche-Chaleur Economic Development Fund
- \$5.0 million under the fourth year of the \$25 million, five-year Acadian Peninsula Economic Development Fund

- \$2.0 million to support municipalities for transition costs related to provisions under the *Official Languages Act*
- \$1.0 million for up to 15 RCMP officers to help fight organized crime
- an additional \$0.9 million for the NB cultural policy
- \$0.2 million to establish the New Brunswick Advisory Council on Seniors.

Competitive Taxation for Jobs and Growth

Lower taxes help make our businesses more competitive, allowing them to create new jobs, improve productivity, and increase investment. That is why the government has lowered personal and corporate income taxes each and every year since 1999 and will continue to do so:

- as a result of measures taken by this government since taking office, New Brunswickers will benefit from provincial personal income tax savings of \$130 million in 2003-2004
- cumulative provincial personal income tax savings total \$360 million over the 2000-2001 to 2003-2004 period
- 15,000 more low-income New Brunswickers removed from the tax rolls with this budget
- in total, more than 40,000 New Brunswickers will not have to pay provincial personal income tax in 2003 compared to the 1999 tax structure
- New Brunswick's tax-free income level now second highest in the country.

A series of corporate income tax measures was announced in the 2002-2003 Budget and the government is following through on all of these measures:

- New Brunswick businesses will realize savings of \$65 million in provincial corporate income taxes in 2003-2004 as a result of measures taken by this government since 1999
- businesses will benefit from cumulative savings of an estimated \$122 million over the four-year period
- effective January 1, 2003, New Brunswick's general corporate income tax rate will be reduced from 14.5 per cent to 13 per cent (third lowest rate in Canada)
- small business corporate income tax rate will be reduced to 3 per cent (lowest rate in Canada)
- small business income threshold raised to \$400,000.

New Competitive Tax Measures

The 2003-2004 Budget also provides two strategic income tax incentives that will help increase the competitiveness and prosperity of New Brunswick:

- New Brunswick's Research and Development (R&D) Tax Credit will be enhanced from 10 per cent to 15 per cent of eligible expenditures, incurred on or after January 1, 2003; the credit will be made fully refundable; this measure will increase R&D activity in the province considerably
- a new Small Business Investor Tax Credit will be introduced to provide a 30 per cent non-refundable personal income tax credit of up to \$15,000 per year on eligible investments by New Brunswickers; this measure will help businesses obtain equity capital.

Fair and Transparent Taxation

Expenditures for road and highway construction in New Brunswick will be increased considerably in the coming year to meet the growing infrastructure needs and ensure the Province is able to access available federal funding. The New Brunswick Road Improvement Fund, which was established last year, shows clearly that the Province spends considerably more on its roads and highways than it actually collects in gasoline and motive fuel tax revenues.

The 2003-2004 Budget will bring gasoline and motive fuel tax revenues more in line with expenditures on roads and highways:

- effective at midnight on December 10, 2002, the motive fuel tax will be increased by 1.5 cents; the rate will go from 15.4 cents per litre to 16.9 cents per litre; the gasoline tax will also be increased by 1.5 cents; the rate will go from 13 cents per litre to 14.5 cents per litre
- even with this increase, New Brunswick's gasoline tax will still compare favourably with other provinces
- this will generate an additional \$23.3 million in revenue that will go into the New Brunswick Road Improvement Fund and help to offset increased spending on road construction of \$28.9 million
- total road and highway improvement expenditures in 2003-2004 will still considerably exceed total gasoline and motive fuel revenue collected.

The 2003-2004 Budget contains an increase in tobacco taxes to discourage smoking, especially among youth, and to help offset the costs that smoking imposes on the health care system:

- effective at midnight on December 10, 2002, the tobacco tax will be increased by 50 cents per package of cigarettes with equivalent increases for tobacco sticks and fine cut tobacco; this will generate an additional \$10.2 million in the next fiscal year.

BUDGET PLAN
2003-2004
Millions
\$

BUDGETARY ACCOUNTS	Budget Plan
Ordinary Account:	
Revenues	4,999.3
Expenditures	5,128.3
Surplus (Deficit).	(129.0)
Capital Account:	
Recoveries	55.7
Expenditures	281.1
Net Capital Expenditures	225.4
Special Purpose Account:	
Revenues	34.9
Expenditures	33.7
Surplus (Deficit).	1.2
Special Operating Agencies:	
Revenues	184.9
Expenditures	177.7
Surplus (Deficit).	7.2
Sinking Fund Earnings	245.0
Decrease (Increase) in Net Debt	(101.0)
Transfer (to) from Fiscal Stabilization Fund	108.5
Surplus (Deficit)	7.5