



# Budget

## 2004-2005

**Living Within Our Means  
Focusing on Priorities**

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

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

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. The basic financial challenge is there for all to see. It can be summed up quite simply: spending demands are growing faster than revenues.

This is the challenge we must meet. We must be prepared to not only change how much money we spend on services, but how those services are delivered. We know that New Brunswickers are ready, willing, and able to accept the necessary adjustments today, so it is better for everyone tomorrow.

In the 2004-2005 Budget:

- Spending on the **priorities of health and senior care** (\$2.06 billion) and education (\$1.15 billion) is rising to record levels once again.
- Key investments in the *Prosperity Plan* for **innovation, learning and small business** are being made.
- There are **no new taxes** and **no tax increases**.
- **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.
- The **budget will be balanced** for 2004-2005 with a modest reduction in net debt of \$2.4 million.

## **Economic Outlook**

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. 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.

In New Brunswick, 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. Despite this environment, the **New Brunswick economy posted respectable gains**, demonstrating the positive impact of our *Prosperity Plan*:

- 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.
- Provincial housing starts were the highest in 20 years, increasing 16.2 per cent over the previous year.

For 2004, most forecasters are expecting economic growth in both Canada and the U.S. 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.**

### ***Fiscal Update 2003-2004***

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. 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.

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 anticipate 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.

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.

## Fiscal Outlook 2004-2005

Without corrective action, the Province was **facing a fiscal challenge in the range of \$300 million in 2004-2005**. This situation was confirmed with the release of new federal transfer estimates last month. The Government has been working diligently to address the fiscal challenge.

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.

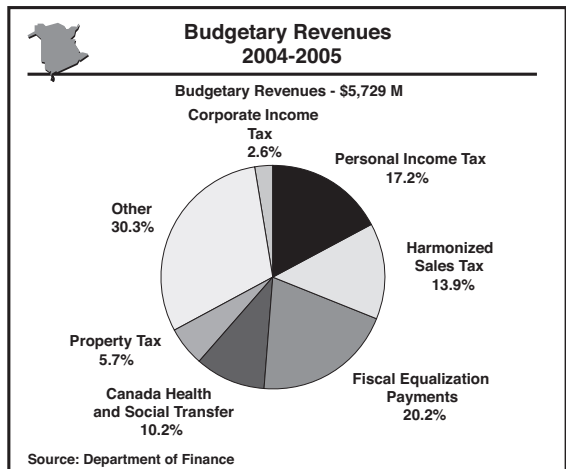
Second, we **asked New Brunswickers for their views** and suggestions on each option. New Brunswickers made their voices heard at nine well-attended public forums, through meetings with special interest groups, via letters and e-mails and on the Government's public website. In total, over **2,000 suggestions** were made.

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.

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.



## Living Within Our Means

To address the fiscal challenge, the Government made a series of **difficult but necessary decisions to reduce expenditures and increase some non-taxation revenues.**

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.

These savings and efficiencies will be applied to address our fiscal challenge and to improve front-line care and services, not back-office administration. These decisions will result in the **elimination of approximately 750 public service positions** and will also result in the consolidation of some offices and the closure of others.

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 current vacant positions and positions that become vacant over time. In addition, employee support programs will be provided to all affected employees.

Another component of addressing the fiscal challenge was the decision to increase some non-taxation revenues:

- 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 **increase some fees** to recover a greater portion of the cost of delivering related services. These measures will bring in an additional \$16.8 million.
- 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.

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.

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.

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. We will undertake:

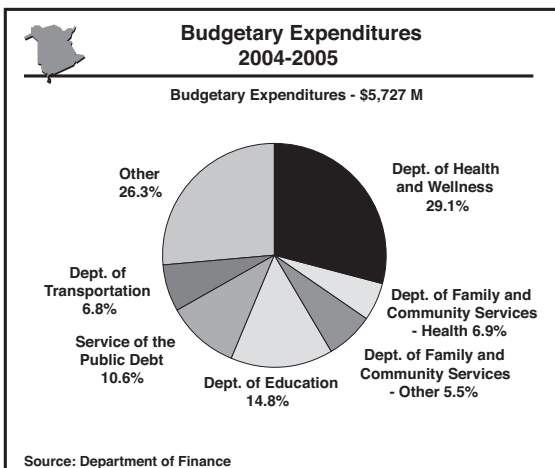
- further action on **consolidating and combining common services** throughout government, such as human resources, information technology, financial services and administration.
- a **review of all asset requirements** in government; we will commence with an extensive review of the provincial parks system.
- an **examination of alternative service delivery** mechanisms in order to provide greater value to taxpayers.

### Focusing on Priorities

Health and senior care, education and children, jobs and prosperity remain our priorities. These are also priorities for New Brunswickers.

The 2004-2005 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. Included:

- Funding of \$905.9 million for **Hospital Services**, an increase of \$17.0 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.



Also included are \$4.0 million to enhance **ambulance services**, \$2.5 million for a **cancer strategy**, and \$500,000 for a **wellness strategy** to reduce obesity in youth.

The 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. Included:

- Funding of \$736.4 million for **K to 12**.
- 125 teaching positions to focus on **early literacy** and 75 teaching positions to focus on children with **special needs**.
- \$10.0 million **Quality Classroom Resource Fund**, beginning with \$2.5 million this year.
- \$1.8 million **Quality Technology Infrastructure Enhancement Fund**.
- Two per cent increase in funding for **universities**.
- \$5.0 million to complete the **University Infrastructure Program**.
- \$4.0 million to improve salaries and working conditions of **child care workers** and \$1.3 million for their training.
- \$1.7 million increase, for a total of \$8.0 million, in the **Day Care Assistance Program**.

### ***Investing in Jobs and Prosperity***

Investing in **jobs and prosperity** is a key priority of this government. Included in the 2004-2005 Budget are:

- \$10.9 million to extend **broadband access** to most communities
- \$2.5 million for advanced **mineral exploration** for the Bathurst Mining Camp
- \$15.0 million for **regional economic development** and \$4.5 million for total development
- **Lower taxes for small business**: effective July 1, 2004, the small business corporate income tax rate will be reduced from 3% to 2.5%; the income threshold will increase from \$400,000 to \$425,000.



## **Other Investments**

The 2004-2005 Budget also contains:

- \$60.4 million in **unconditional grant** funding for 2005, 2006 and 2007.
- Property tax relief for qualifying **non-profit housing organizations** that have low-income rental housing property; effective for the 2005 taxation year.
- \$5.2 million under the **Affordable Housing** Agreement
- \$1.2 million increase towards wages paid to **in-home support workers**.
- \$720,000 under the **Cultural Policy**.

## **Conclusion**

The budget 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.**

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

## Budget Plan Statement of Surplus or Deficit 2004-2005

### Budget Plan

in thousands \$

Year ending  
March 31, 2005  
Estimate

#### **BUDGETARY ACCOUNTS**

##### **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	<u>228,000</u>

### 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