

Budget 2007-2008

Fact Sheet 1: The Economy

2006

- The Department of Finance estimates real Gross Domestic Product (GDP) growth at 2.3 per cent in 2006, compared to the 0.3 per cent increase in 2005.
- Capital investment and consumer spending growth more than offset weakened foreign exports and manufacturing shipments during the year.
- Capital investment increased 4.5 per cent and reached a record \$5 billion.
- Employment increased 1.4 per cent, or 4,900 net new jobs, posting the strongest growth rate east of Ontario.
- The unemployment rate fell to 8.8 per cent, its lowest level in three decades.
- Average weekly earnings increased 3.3 per cent in 2006, compared to the three per cent Canadian increase.
- Retail sales recorded their strongest growth since 1999, up 5.9 per cent.
- Strong world prices for zinc pushed the value of mineral production up 63.8 per cent to a record \$1.5 billion.
- Consumer inflation rose 1.6 per cent, the lowest increase among the provinces.

2007

- For 2007, growth will be led by increased capital investment, offsetting weakened demand for some manufactured commodities.
- The Department of Finance is forecasting real GDP growth to be within the range of private sector forecasters, at 2.3 per cent for 2007.
- Strong growth in business investment is expected from the construction of the LNG terminal in Saint John and the refurbishment of the Point Lepreau nuclear power plant.
- Statistics Canada estimates capital investment in New Brunswick will report the strongest performance among the provinces in 2007, with a 12.7 per cent increase to a record level of nearly \$5.6 billion.
- Employment opportunities should continue to increase, with the provincial unemployment rate expected to trend downward during the year.

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Fact Sheet 2: Fiscal Update and Outlook

Fiscal Update 2006-2007

- Surplus of \$34.6 million projected.
- A surplus of \$22.2 million was estimated in Budget 2006-2007, while Grant Thornton projected a deficit of \$17.6 million in December.
- Significant, new information confirming revenue improvements since December. Major sources of improvement include personal and corporate income tax, harmonized sales tax and net income of New Brunswick Electric Finance Corporation.
- Spending increases from budget include projected deficits in Regional Health Authorities and new government initiatives for senior care.
- The government will complete its financial commitment towards Saint John Harbour clean-up by funding its remaining share of \$26.6 million.
- Additional funding to universities of \$68 million will be provided in 2006-2007.
- Funding will be provided to stabilize and support credit unions in New Brunswick.
- Provisions of the *Fiscal Responsibility and Balanced Budget Act* will be met, with an estimated cumulative surplus of \$395.5 million for the 2004-2005 to 2006-2007 fiscal period and a reduction in the net debt-to-GDP ratio from the previous fiscal period.

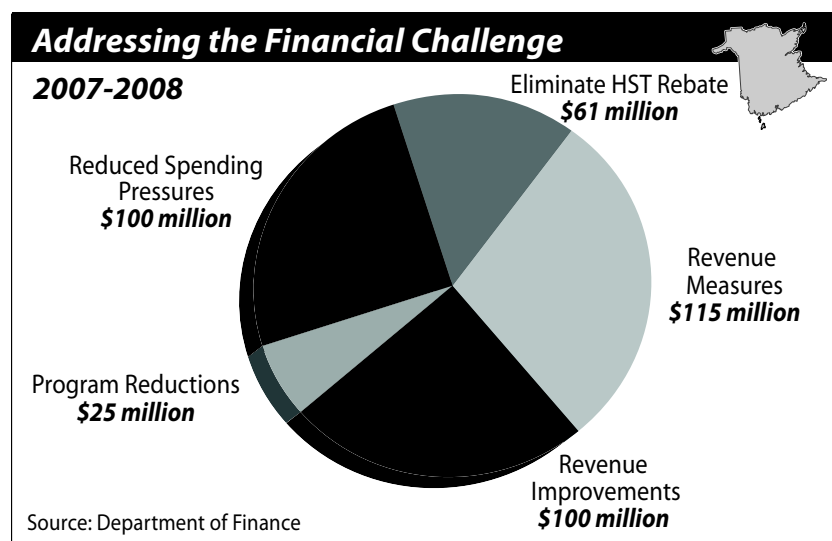
Fiscal Outlook 2007-2008

- Surplus of \$37.1 million projected.
- This compares to net expenditure pressures of \$300-\$416 million for 2007-2008 as estimated by Grant Thornton.
- The financial challenge was addressed through a combination of revenue measures, expenditure restraint and revenue improvements since Fall 2006.
- Revenue is estimated at \$6.677 billion for 2007-2008, representing growth of 2.8 per cent from the revised 2006-2007 level.
- Expenses will grow by 2.8 per cent from the 2006-2007 revised level to \$6.64 billion.
- Net debt will increase by an estimated \$356 million in 2007-2008, attributable to the one-time payment of \$543.8 million payment for the completion of designated sections of the Trans-Canada Highway between Woodstock and Grand Falls.

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Fact Sheet 3: Addressing the Financial Challenge

- In December 2006, the accounting firm Grant Thornton confirmed that given historical trends, when combined with previous decisions, New Brunswick was facing a considerable financial challenge:
 - 2007-2008: net expenditure pressures in the range of \$300-416 million.
 - 2008-2009: net expenditure pressures in the range of \$548-719 million.
 - 2009-2010: net expenditure pressures in the range of \$573-773 million.
- Without corrective action, spending will considerably outpace revenue, leading to large, growing deficits and debt.
- A surplus of \$37.1 million is projected for 2007-2008, an improvement of approximately \$400 million relative to the financial challenge facing the province last fall.
- The financial challenge for 2007-2008 was addressed through a combination of factors:
 - Elimination of the home energy HST rebate in December 2006 will result in savings of an estimated \$61 million;
 - Revenue measures in the 2007-2008 Budget will generate an additional \$115 million annually;
 - Revenue projections have improved by approximately \$100 million, primarily due to confirmation of increased funding in February related to metallic minerals tax revenue and personal and corporate income tax revenue;
 - Program administration reductions in departments will result in savings of \$25 million; and
 - Overall spending growth has been constrained for 2007-2008, reducing spending pressures by approximately \$100 million.



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Fact Sheet 4: Corporate Income Tax

What is in the 2007-2008 Budget?

The provincial general corporate income tax (CIT) rate will increase to 13 per cent effective Jan. 1, 2007, restoring the rate that was in effect for the 2006 taxation year.

The provincial small business corporate income tax rate will be increased to five per cent effective Jan. 1, 2007, and the income threshold eligible for the small business CIT rate will be decreased from the current level of \$475,000 to \$400,000.

Why it was done:

The Grant Thornton review of the province's financial situation confirmed that given historical trends, combined with previous program decisions, the government faces considerable fiscal challenges over the next three fiscal years, which will potentially lead to large, growing deficits.

It is clear that steps needed to be taken to address the fiscal challenges. By not taking action, New Brunswickers would have ultimately faced higher debt that would burden future generations. The government is not willing to let this happen.

The level of taxation was insufficient to ensure the continued provision of essential public services that New Brunswickers deserve and expect. This measure will ensure that businesses contribute their fair share to addressing the financial challenge.

With this change New Brunswick will have the fourth lowest general corporate income tax rate in Canada. The small business CIT rate is the third lowest in Canada and the income threshold matches all other provinces except Alberta.

Revenue Impact:

The estimated revenue impacts are:

- \$17 million in 2007-2008 from the general corporate income tax rate change.
- \$35 million in 2007-2008 from the small business corporate income tax changes.

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Fact Sheet 5: Personal Income Tax

What is in the 2007-2008 Budget?

Effective Jan. 1, 2007, the province's personal income tax rates will be increased. The new rates will be 10.12 per cent on the first income bracket, 15.48 per cent on the second, 16.80 per cent on the third and 17.95 per cent on the fourth bracket. This will be reflected in source deductions for employees beginning July 1, 2007.

Why it was done:

The Grant Thornton review of the province's financial situation confirmed that given historical trends, combined with previous program decisions, the government faces considerable fiscal challenges over the next three fiscal years, which will potentially lead to large, growing deficits.

It is clear that steps needed to be taken to address the fiscal challenges. By not taking action, New Brunswickers would have ultimately faced higher debt that would burden future generations. The government is not willing to let this happen.

The level of taxation was insufficient to ensure the continued provision of essential public services that New Brunswickers deserve and expect. This measure will ensure that New Brunswickers will be able to enjoy these essential services while addressing the financial challenge.

Even with this measure, New Brunswick still has the lowest personal income tax burden in Atlantic Canada.

Revenue Impact:

The estimated revenue impact is \$50 million annually.

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Fact Sheet 6: 2007-2008 Capital Budget

Transportation

- Capital spending by the Department of Transportation will be \$180.6 million in 2007-2008, including investments of \$173.6 million in highway infrastructure.
- Investments will be made in Routes 11 and 17, and bypass roadways in Moncton, Riverview and Dieppe, and the Route 8 Nashwaak Bypass.
- Investments for work on Route 1 between Waweig and the Canada-United States border at St. Stephen, including the new international bridge, and to complete Route 95 between Woodstock and the United States border.
- Completion in 2007 of the twinning of the Trans-Canada Highway from Woodstock to Grand Falls. This will result in the payment of \$543.8 million.
- Planning and design activities for the Route 7 Welsford Bypass, as well as ramps on Highland Road.

Education and Post-secondary Education

- Department of Education capital investment will total \$30.6 million, including spending on new or renovated facilities at a number of schools and funding for health and safety issues within schools across the province.
- Post-secondary investments of \$7.9 million include capital improvements and repairs and renovations for the New Brunswick Community College network.

Health

- Investments for the completion of the new regional hospital in Waterville.
- Investments for the expansion of the emergency centre, ambulatory care centre and laboratory at the Moncton Hospital.
- Investments for the new surgical suite in Bathurst.
- Investments for a new fixed MRI unit in Fredericton.
- Additional funding of \$3.4 million for the completion of renovations creating a secure 20-bed forensic psychiatric unit and a two-bed secure seclusion area at the Restigouche Hospital.
- Investments for the planning and design for the addition of a new Emergency Department at Saint John Regional Hospital.

Other

- \$2 million for a new veterinary laboratory incinerator and the construction of a new post-mortem/incinerator room.
- \$1.2 million for the Sentier NB Trail system for repairs and to rehabilitate bridges.
- \$800,000 towards the Miscou Island Eco-Tourism Development Project.
- Public-private partnerships will be explored for the Saint John and Moncton courthouse projects, along with a new detention centre.

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Fact Sheet 7: Cost of Public Services

- Average cost to resurface one kilometre of highway (two-lane arterial): **\$375,000**
- One kilometre of new highway construction - two lanes: **\$2.3 million**
- One kilometre of new highway construction - four lanes: **\$4 million**
- One year of winter maintenance: **\$57 million**

- One day of health care in New Brunswick: **\$5.6 million**
- Average hospital cost of a heart by-pass operation: **\$16,048**
- Average hospital cost of a heart attack: **\$5,607**
- One new cat scan (CT) unit: **\$1.8 million**
- One new MRI unit: **\$3.5 million**

- Average annual cost for a special care home client: **\$27,010**
- Average annual cost for a nursing home care client: **\$57,700**
- Cost of one additional hour of nursing home care: **\$41.2 million**

- Direct education funding per student: **\$7,802**
- One day of school in New Brunswick (K-12): **\$4.5 million**
- Cost of reducing class size for a full year by one student: **\$11.2 million**
- One new school bus (72 seats): **\$72,000**

- Six month sentence for one individual in a provincial jail: **\$18,989**
- Six month sentence for a young offender: **\$43,373**

- Service of Public Debt (per capita): **\$812**
- Gross Funded Debt per Capita: **\$13,345**

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Fact Sheet 8: Small Business Investor Tax Credit

What is it?

The Small Business Investor Tax Credit was introduced in 2003 and provides a 30 per cent non-refundable personal income tax credit to New Brunswick investors who invest in eligible businesses in the province. The credit is applied against provincial personal income tax otherwise payable.

The Small Business Investor Tax Credit Program provides an opportunity for small businesses to raise capital by offering investors a tax credit for investing in eligible small New Brunswick businesses.

The objective of the Small Business Investor Tax Credit Program is to provide an important source of capital by increasing access to equity financing for New Brunswick businesses. The program encourages New Brunswickers to invest in New Brunswick businesses.

Since the program started in 2003, 70 New Brunswick small businesses have benefited from the program. Investments in New Brunswick companies eligible for the credit are approximately \$9.4 million and a total of 355 New Brunswick investors have received a tax credit under the program. The total value of tax credits issued since 2003 is approximately \$2.8 million.

What is in the 2007-2008 Budget?

Effective March 13, 2007, the New Brunswick Small Business Investor Tax Credit will be enhanced by:

1. Increasing the size of the allowable investment for the 30 per cent credit from \$50,000 to \$80,000 (as a result the maximum amount of credit available to an individual investor will increase from \$15,000 to \$24,000);
2. Broadening the type of shares issued to include convertible, preferred shares; and
3. Increasing the size of business that is eligible to participate in the program from \$25 million in net tangible assets to \$40 million.

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Fact Sheet 9: Low-Income Seniors' Benefit

What is it?

The New Brunswick Low-income Seniors' Benefit was introduced in February 1998 to lessen the impact of increased heating costs on low-income seniors due to the implementation of the HST. The enhanced Low-Income Seniors' Benefit will provide \$200 per year to seniors who receive one of the following federal benefits:

- Guaranteed Income Supplement (GIS);
- allowance for the survivor; or
- federal allowance.

The annual application period is April 1 to Nov. 30.

Approximately 32,000 seniors receive the NB Low-Income Seniors' Benefit. The cost of the current program was approximately \$3.2 million for 2005-2006.

What is in the 2007-2008 Budget?

Effective April 1, 2007, the Low-Income Seniors' Benefit will be doubled from \$100 to \$200.

Why It Was Done?

The government's *Charter for Change* platform committed to doubling the Low-Income Seniors' Benefit from \$100 to \$200.

What is the Revenue Impact?

The estimated revenue impact for the doubling of the program from \$100 to \$200 is \$3.3 million in 2007-2008, for a total annual program cost of \$6.5 million.