




BUDGET

2002-2003

PETER MESHEAU
MINISTER OF FINANCE

CHOOSING PROSPERITY: A BALANCED APPROACH



New  Nouveau
Brunswick
C A N A D A

Budget 2002-2003

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Introduction

Mr. Speaker, I am privileged and honoured to present my first budget as Minister of Finance.

It is with great pleasure that I rise today in the House to deliver this government's third consecutive balanced budget. It is our third consecutive budget that increases funding for health care and education, and our third consecutive budget that lowers taxes for people and businesses.

This year's budget has the theme of *Choosing Prosperity: A Balanced Approach*.

The initiatives we are setting out today reflect choices that will help New Brunswick achieve greater prosperity through investments in innovation, infrastructure and tax relief. At the same time, as part of our balanced approach, we continue to invest in the priorities that matter most to New Brunswickers such as health care and education.

New Brunswickers know that a prosperous economy is essential to pay for the social programs they need. They realize that our choices must be balanced in order to grow the economy while at the same time funding our social priorities. This budget does just that. It chooses prosperity through a balanced approach.

Mr. Speaker, today's budget begins to implement *Greater Opportunity: New Brunswick's Prosperity Plan*—our 10-year plan to transform our economy and close the economic gap between New Brunswick and Canada. It advances us farther and faster down this path.

With today's budget, we are taking solid, fundamental steps to make our province open to investment and innovation. We are laying down the true building blocks to lasting economic success and a more globally competitive New Brunswick.

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

- a record high investment for health care and seniors of \$1.8 billion, with new investments of \$80.6 million;
- a record high investment for education of \$1.09 billion, with new investments totaling \$46.8 million;
- personal income tax relief of an additional \$27 million;
- additional corporate income tax reductions of \$11 million;
- \$35 million in investments in two funds for innovation and university infrastructure,
- and a budgetary surplus of \$21.3 million in 2002-2003.

Mr. Speaker, these accomplishments have not occurred without challenge and choice. The challenge of managing smarter during a period of economic slowdown with ongoing fiscal challenges, and the choice of investing in what matters most to New Brunswickers.

They have occurred only because we have been resolute and determined about managing smarter. As stated in last year's budget: "We must not relax the fiscal discipline we have exercised."

We have not, Mr. Speaker, and we will not.

The Economic Outlook

Mr. Speaker, at the onset of last year's budget, it was already evident that the North American economy was in a slowdown. The events of September 11th intensified what was originally expected to be a brief downturn in the world economy.

New Brunswick was not immune to this slowdown, given our reliance on foreign trade. The Department of Finance now estimates real Gross Domestic Product (GDP) growth for New Brunswick at 0.6% in 2001.

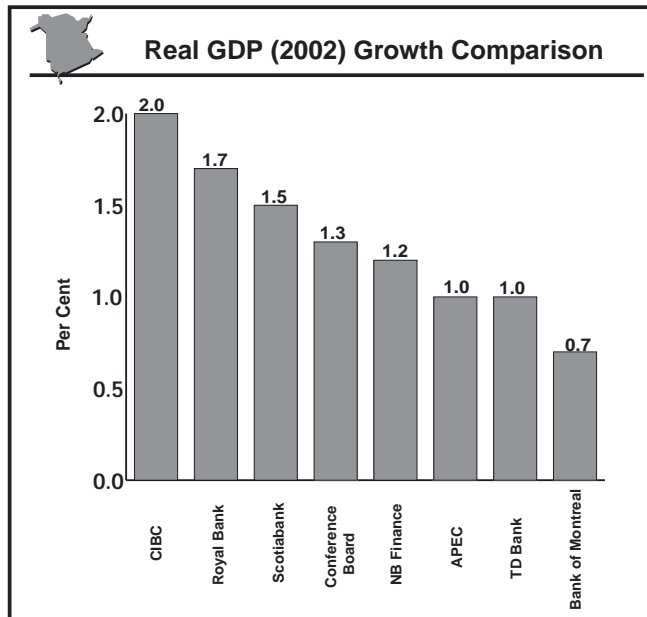
While many New Brunswick indicators reported a slower trend in 2001, there are positives worth noting:

- the labour force participation rate reached a record level, rising for the fifth consecutive year;
- exports of goods to foreign destinations increased 11.6% to over \$8.3 billion, largely on the strength of energy products;
- residential construction, fueled by declining interest rates, had a strong year with housing starts up 12.4%,
- and consumer inflation was 1.7%, down from 3.3% in 2000, and below the Canadian average.

We are also encouraged that total employment across the province is at a record high level. The most recently released figures show employment in New Brunswick at 341,600 in February.

Most forecasters are now saying economic growth in North America should pick up in the latter half of 2002.

In New Brunswick, the current private sector consensus is for 1.3% growth in 2002, while the Department of Finance estimate is 1.2%.



Mr. Speaker, as Premier Lord said recently: “For every financial downturn, there is an economic upswing. Those provinces and businesses that make the right choices today for the long term will be able to take maximum advantage of the economic upswing in the future.”

That is why the premier recently released *Greater Opportunity: New Brunswick's Prosperity Plan*, which sets out a road map to a more prosperous New Brunswick, and provides a framework for even stronger economic growth and prosperity into the future.

Fiscal Update 2001-2002

Mr. Speaker, I would now like to provide a fiscal update for 2001-2002.

To begin, I will first set out our approach in exercising fiscal discipline and managing smarter. We follow these guiding principles in balancing the budget:

- first, identify and invest in priority areas such as health care, education and jobs, while tightly managing expenditures in other areas;
- second, plan cautiously and prudently by allowing for fluctuations in revenue and expenditures;
- third, exercise fiscal discipline throughout the year to ensure flexibility to respond to urgent needs and events;
- and finally, draw upon the Fiscal Stabilization Fund only when necessary and pay into it when circumstances permit, to provide for future flexibility.

Mr. Speaker, the 2001-2002 Budget and the November Financial and Economic Update anticipated that the Province would end the current fiscal year with balanced results, despite the considerable economic challenges and uncertainty we faced. I am pleased to confirm today that this remains the case.

We now anticipate budgetary revenues of \$5.152 billion, up \$125 million from budget. Budgetary expenditures are now anticipated at \$5.115 billion, an increase of \$123 million. The result is a budgetary surplus of \$37 million for 2001-2002, which slightly exceeds our original budget target.

Mr. Speaker, this surplus has been achieved without drawing down the Fiscal Stabilization Fund. In fact, a transfer of \$70 million will be made into the fund in 2001-2002. New Brunswick is among the few provinces currently projecting a balanced budget in 2001-2002 without having to draw upon such a fund.

There have been several major factors contributing to the change in revenues over the course of the fiscal year. These include higher equalization payments, increased corporate income tax revenues and an increase in tobacco tax revenues. Meanwhile, harmonized sales tax revenues have fallen and return on investment is down.

Higher revenues, coupled with savings in several departments, have allowed us to manage additional expenditures in certain priority areas. These include:

- an additional \$44 million in the Department of Health and Wellness, including increased expenditures for Medicare, Hospital Services and the Prescription Drug Program;
- \$35 million in special investments in two funds for innovation and university infrastructure,
- and a deposit of \$70 million into the Fiscal Stabilization Fund, which will allow for greater financial flexibility in the future.

Fiscal Outlook 2002-2003

Turning to the 2002-2003 fiscal year, a significant financial challenge faced the Province leading into the budget. At the time of the November Financial and Economic Update, it was anticipated that, if left unchecked, the Province was facing a deficit of approximately \$180 million for 2002-2003.

The explanation for this situation is straightforward, Mr. Speaker. Demand for public services continues to increase faster than our revenues, particularly health care. Meanwhile, slower economic growth in 2001 and 2002 is translating into slower growth in revenues.

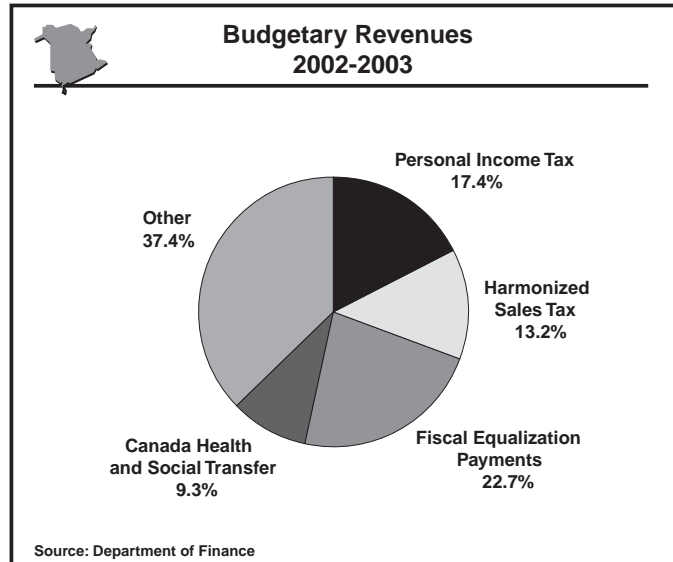
In November, I stated that our goal was a balanced budget for 2002-2003, despite the considerable challenges we faced.

Today, I am pleased to announce that the Province is projecting a surplus of \$21.3 million for the 2002-2003 fiscal year. This marks the third consecutive balanced budget delivered by this government since taking office. Mr. Speaker, this reinforces our commitment to creating a competitive fiscal environment in New Brunswick, a cornerstone of our prosperity plan. Strong fiscal discipline is, and will remain, a hallmark of this government.

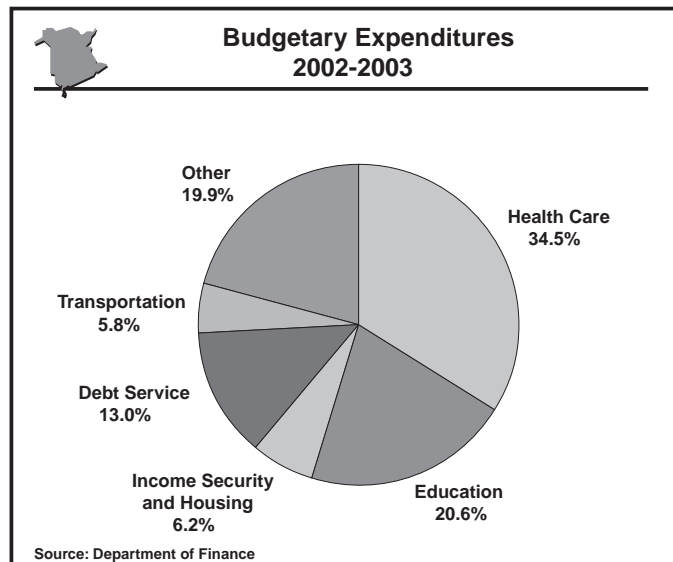
We have achieved this balanced result due to three reasons. First, overall expenditure growth has been, and will continue to be, tightly managed to allow for priority investments in health care and education. Second, revenue projections have improved over the course of the past few months. And third, we have withdrawn \$80 million from the Fiscal Stabilization Fund to balance the budget.

Mr. Speaker, the Fiscal Stabilization Fund was established in the 2001-2002 Budget to ensure that government has the financial flexibility to respond to changing economic and fiscal circumstances. Today we are facing such circumstances. The wisdom of putting something aside for a rainy day is paying off for New Brunswickers, allowing for a third consecutive balanced budget. This withdrawal represents less than half of the fund. A balance of nearly \$97 million will remain in the Fiscal Stabilization Fund at the end of the fiscal year to provide financial flexibility in the future. This is the prudent thing to do.

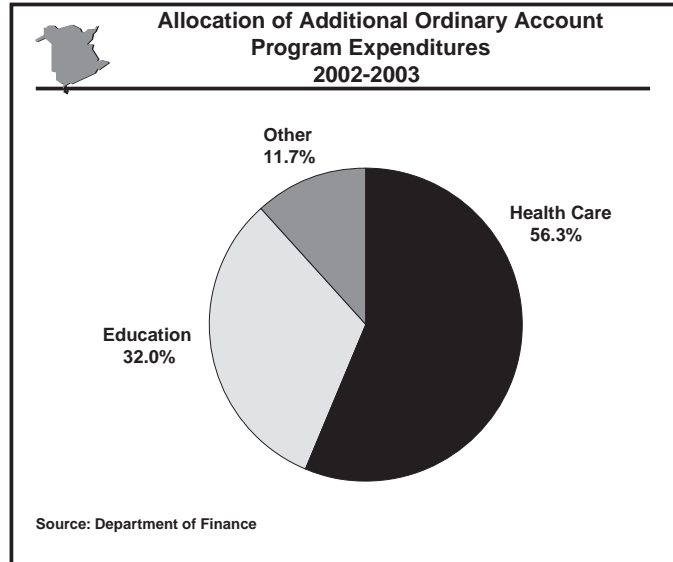
Budgetary revenues for 2002-2003 are forecast at \$5.288 billion. This represents growth of 2.6% from 2001-2002.



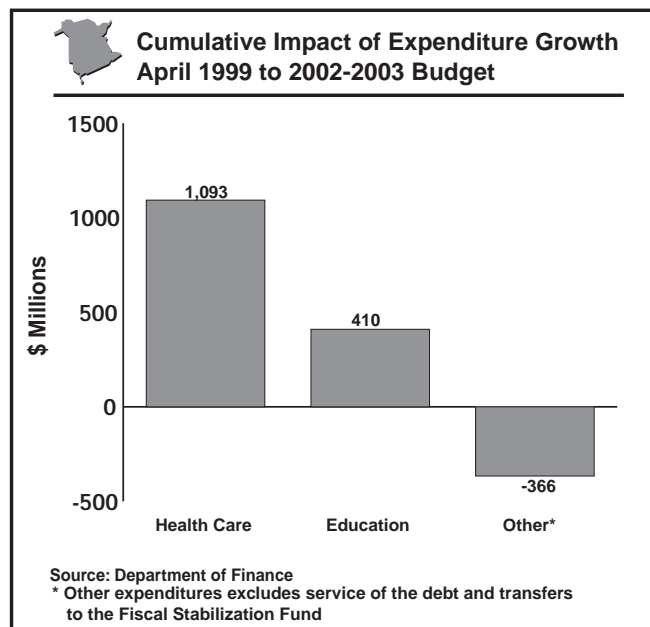
Budgetary spending is estimated at \$5.267 billion, a growth rate of 3.0% from 2001-2002. Included are record investments in health care and education. Excluding health care, education and debt service costs, overall growth in other spending is relatively flat.



Overall, 88% of additional ordinary account program spending is on health care and education, clearly demonstrating our commitment to a balanced approach that includes the priorities of New Brunswickers.



Mr. Speaker, today's budget reflects the balanced approach we have taken as a government to invest strategically on clear public priorities, while tightly managing the growth of other expenditures. As a clear illustration of our commitment to increased funding for health care and education, cumulative expenditure growth in health care totals almost \$1.1 billion since 1999, while cumulative expenditure growth in education exceeds \$0.4 billion. At the same time, other government expenditures have decreased by approximately \$0.4 billion cumulatively over the same period.



The choices we have made in balancing the budget were not taken lightly. By managing smarter, however, we have balanced the budget while continuing to invest in priority areas.

Unfortunately, Mr. Speaker, the job gets no easier in 2003-2004. New Brunswick is facing considerable fiscal challenges next fiscal year, with expenditure pressures exceeding revenue growth expectations. There are risks in 2003-2004 that could have a serious impact on our fiscal position, including the incorporation of census results into federal equalization payments and Canada Health and Social Transfer payments. Lower population in New Brunswick translates into lower revenues from the federal government. This could result in a federal clawback of payments in the form of negative prior-year adjustments.

Being aware of the challenges we face reinforces the need to exercise strong fiscal discipline now and in the future. That is why we continue to use the Fiscal Stabilization Fund prudently and continue to put something aside for when it is needed in the future.

Net Debt Reduction and Credit Rating

Mr. Speaker, *Greater Opportunity: New Brunswick's Prosperity Plan* points to net debt and provincial credit ratings as important progress indicators in achieving our prosperity targets.

Since taking office, we have made considerable inroads in lowering New Brunswick's net debt-to-GDP ratio. It will have declined from 36.4% in 1999-2000 to an estimated 32.3% for 2002-2003.

Today, we continue to enjoy the best credit rating east of Ontario. This means that the rating agencies support the direction the Province is taking in controlling its expenditures, lowering taxes and lowering our net debt-to-GDP ratio. It also sends a clear signal to the financial and business communities that New Brunswick is a sound investment. And it benefits New Brunswickers by paying lower interest costs for provincial borrowing.

	Standard & Poor's	Moody's	DBRS
Alberta	AAA	Aaa	AAA
Ontario	AA	Aa3	AA
British Columbia	AA-	Aa2	AA (low)
Manitoba	AA-	Aa3	A
New Brunswick	AA-	A1	A
Québec	A+	A1	A
Saskatchewan	A+	A1	A
Prince Edward Island	A	A3	A (low)
Nova Scotia	A-	A3	BBB (high)
Newfoundland and Labrador	A-	Baa1	BBB

Capital Spending

Mr. Speaker, this year's capital budget is all about investing in strategic infrastructure, one of the four building blocks of our prosperity plan. Today's budget sets out gross capital expenditures of \$257.8 million for 2002-2003, an increase of over 25% from 2001-2002.

The capital budget invests in key priority areas, including health care, education, the environment, jobs and growth. This includes \$34 million for education, \$11.5 million for health, and \$10.6 million for "green" infrastructure.

Transportation is one of the cornerstones of our strategic infrastructure building block. The capital budget for transportation is \$168.1 million, an increase of 36% from 2001-2002. I want to stress that these dollars will be spent throughout the province to help meet the transportation needs and priorities of all regions of New Brunswick.

Investing in Health Care and Seniors

Mr. Speaker, in preparing this budget, we have used a balanced approach that will serve to grow our economy while at the same time helping to meet the social needs of New Brunswickers.

Renewing health care for families and seniors has been a top priority of this government since June 1999, and it remains so. We committed to increasing funding for health care each and every year and we have done so.

Cumulatively, we have invested \$1.1 billion more in health care since 1999. To illustrate what these investments mean to New Brunswickers, this government has provided for:

- an additional 15 seats annually for New Brunswick students to attend medical school;
- a \$3 million physician recruitment and retention program which, together with increased remuneration for physicians, has helped recruit 249 new doctors, for a net increase of 65 more doctors;
- a three-year, \$8 million nursing resources recruitment and retention strategy;
- 90 new drugs under the Prescription Drug Program;
- significant increases in the number of social workers and adoption workers,
- and a doubling of the number of magnetic resonance imaging (MRI) units in the province.

Mr. Speaker, the rising cost of health care represents our most significant financial challenge as a province. Escalating costs for Hospital Services, Medicare and the Prescription Drug Program account for much of our increased health care spending.

At the same time, the federal government's share of health care funding is significantly lower than in the past. For every dollar spent on health care in New Brunswick, the federal government contributes only 14 cents, a far cry from the 50/50 cost-sharing during the early days of Medicare. Since the introduction of the Canada Health and Social Transfer, New Brunswick has realized a cumulative shortfall in federal funding for provincial social programs of \$670 million from the 1994-1995 funding level. This has contributed to the position we are in today.

Sustaining our health care system for the future requires not only provincial action, but also national leadership and solutions. Nevertheless, we are doing our part. Despite record investments in health care in our previous two budgets, we intend to do even more. As a result, in this budget we are investing a record \$1.8 billion in health care in 2002-2003. This represents an additional \$80.6 million, or 4.7%, over the 2001-2002 revised spending level. This equates to a budget-over-budget increase of \$120 million for health care.

Today's budget allows for investment in key program areas, including:

- \$819.1 million for Hospital Services;
- a total of \$309.8 million in funding for Medicare;
- long-term care funding of \$278.0 million,
- and \$102.5 million for the Prescription Drug Program.

Having a balanced approach means helping those who need our help the most. That is why senior care continues to be an important priority for this government. We want seniors in this province to live in comfort and dignity. Nursing home and home care funding for seniors will therefore be increased. Funding for nursing home operations and employees will rise by \$10.0 million in this budget. This will allow for improved care for seniors in nursing home facilities by hiring more staff and providing for increased wages to employees.

In-home support workers provide important and needed care to seniors. We value the work and services these individuals provide. Therefore, the provincial contribution towards wages paid to homemakers will be increased by \$1.00 per hour over the next three years, beginning with a 50 cent increase this year. This will mean an additional \$1.6 million for homemakers this budget year.

The government also remains committed to the Low-Income Seniors' Benefit program, which provides needed assistance to seniors. It will continue this year at an estimated cost of \$3.2 million.

As part of our continuing commitment to New Brunswickers with disabilities, this budget provides for the third consecutive \$250 per year increase in the certified disabled supplement. This amounts to an annual increase of \$750 since our first budget and represents an additional \$1.4 million in spending this year. At the time of next year's budget, certified disabled New Brunswickers will be receiving \$1,000 more each year than from when we took office in 1999.

Mr. Speaker, increased health care funding must go hand-in-hand with health care renewal and reform. This government is committed to renewing the health care system to ensure all New Brunswickers can get the right care in the right place at the right time by the right provider at a cost the taxpayer can afford.

The Premier's Health Quality Council set out a vision for a patient-focused, community-based health care system that we are implementing. This year will see the introduction of nurse practitioners and an expanded role for nurses in delivering health care services. Recruitment of more physicians and nurses will continue. We will begin to implement Regional Health Authorities. And primary care reform will move forward with the phased introduction of Community Health Centres

around New Brunswick. These facilities will provide improved access to primary health care services for New Brunswickers through multi-disciplinary collaborative teams made up of physicians, nurse practitioners, nurses, social workers, rehabilitation professionals and pharmacists. We will dedicate \$4.5 million for these health care renewal initiatives to supplement funding already provided in regular Department of Health and Wellness programs.

Investing in Education and Children

Mr. Speaker, investing in people is a fundamental building block in the prosperity plan. Our objective is an educated, well-trained, skilled and adaptable labour force supported by a culture of lifelong learning.

One of our core commitments is to increase funding for education each and every year. Since taking office, this government has cumulatively increased education spending by \$410 million. This has allowed us to make the following key investments in education:

- 200 additional qualified teaching assistants;
- a \$100 million Healthy Schools capital improvement program;
- reduced class sizes for Grades 2 and 3;
- \$7.5 million over three years to provide access to high speed Internet bandwidth in all schools,
- and \$6.1 million over three years in additional financial support to enhance access to post-secondary education.

This year's budget increases education funding once again. I am pleased to announce that the 2002-2003 Budget contains record investments in education totaling \$1.09 billion, which represents growth of 4.5%, or \$46.8 million, from 2001-2002. Next to health care, education remains our second-largest spending priority.

Today's budget provides for an additional \$36.6 million in funding for Kindergarten to Grade 12, which includes a negotiated wage increase for teachers. University grants will increase by \$4.9 million, the third consecutive year in which funding for universities has been increased. This more than meets the government's three-year plan for 2% annual increases in funding for universities. And additional funding of \$1.4 million is provided to enhance access to post-secondary education as part of our three-year plan.

Mr. Speaker, helping children get the best start on life is key to our family-oriented policies. Therefore, early childhood development funding will be increased \$2.4 million this year with additional funding for childcare, early language development, and children's support programs.

Focusing on New Brunswick Priorities

Mr. Speaker, I would like to highlight some initiatives to meet the needs of New Brunswickers.

In the wake of September 11th, New Brunswickers saw the need to take additional steps to secure our future and enhance public safety. The 2002-2003 Budget will therefore invest over \$2.6 million more in such initiatives. This includes an additional 10 RCMP officers, enhanced criminal intelligence capabilities and a Hazardous Materials Emergency Response Program. It also provides for the operation of a Level 3 Laboratory to deal with bio-terrorism and for security enhancements in provincial facilities.

The Department of Justice will receive an additional \$1.5 million in funding in order to hire additional staff to ensure the continued, efficient administration of justice in the province.

As part of the prosperity plan, a total of \$10 million is provided in 2002-2003 for the continuation of the Total Development Fund, which will see value-added and other innovative initiatives introduced into our natural resource-based economy.

The Regional Development Corporation will receive \$3 million for the recently announced Community Economic Development Fund. This funding will support job creation and economic growth throughout the province. Furthermore, funding of \$0.5 million will be provided to continue the activities of the Premier's Action Committee for the Economic Development of the Acadian Peninsula and the Restigouche-Chaleur Task Force.

Securing our environment for future generations is an important priority for this government. We have initiated policies to protect coastal zones and wetlands. A new waste reduction and diversion action plan is underway. Groundwater protection has been improved and a new Protected Natural Areas policy is in place. Our government will continue to work to ensure that the people of New Brunswick have safe water. This year's budget provides an additional \$0.7 million to the Department of the Environment and Local Government to help protect our public drinking water system.

Last month, the government announced the province's first-ever comprehensive Cultural Policy. This policy will see funding increases of \$2.8 million over three years to enhance the arts and heritage communities of New Brunswick. This year, \$1.2 million more is allotted as the first phase in the implementation of our new cultural policy.

Greater Opportunity: New Brunswick's Prosperity Plan

Mr. Speaker, a prosperous growing economy is at the heart of our objective to bring greater opportunity to all New Brunswickers across the province. That is why this government launched the most comprehensive and far-reaching plan to build New Brunswick's economy that we have ever seen.

As Premier Lord noted in his State of the Province Address, the objective of the recently released *Greater Opportunity: New Brunswick's Prosperity Plan* "is nothing less than the economic transformation of our province. To make the structural economic changes we need to bring about lasting economic and social prosperity. To create the greater opportunity our children and families need to build the life they want right here at home. To turn New Brunswick into an investment magnet for Canada and a trading gateway to North America."

Greater Opportunity sets out four building blocks as the foundation for lasting economic success and prosperity for New Brunswickers:

- investing in people;
- creating a competitive fiscal and business environment;
- embracing innovation,
- and building strategic infrastructure.

Each block has four cornerstones, and specific action priorities flow from each cornerstone—more than 60 action priorities in total.

The prosperity plan sets ambitious targets for growth in order to close the economic gap with the rest of Canada. They will challenge us as a province and focus our efforts as a government.

Our government wasted no time in formally implementing the prosperity plan. Six major initiatives were announced in the State of the Province Address to accelerate us on our path to prosperity and opportunity, including significant additional personal and corporate tax reductions and the establishment of the New Brunswick Innovation Foundation. That same week, 15 new Community Economic Development Agencies were officially launched around the province as part of our approach to empowering people and communities. During that week alone, almost 1,000 new private sector jobs were announced with the assistance of this government.

Mr. Speaker, our long-term prosperity vision for the future is a clear demarcation from the short-term, quick-fix economic policies of the past. It says to New Brunswickers that, together, we can break out of the pack and set ourselves apart. Together, we can build an economic success story for the 21st century that will rival our neighbours and challenge our competitors.

This budget moves the prosperity plan into high gear. It invests in innovation—the lifeblood for tomorrow’s ideas—to secure New Brunswick’s economic future. It invests in our universities to help build the strategic infrastructure they need to become nationally and internationally competitive institutions on the forefront of knowledge and innovation. It lowers taxes to help people and businesses and to help stimulate job creation.

Investment and Innovation

Mr. Speaker, embracing innovation is critical to the success of New Brunswick's prosperity plan. To become a leader in the knowledge-based economy requires increased innovation capacity and research and development as drivers of productivity and growth. It will also require strategic partnerships between government, the private sector and universities.

The State of the Province Address highlighted the creation of the New Brunswick Innovation Foundation with an initial fund of \$20 million to start us on our way. This foundation will be a tripartite organization, with representatives from government, business and the university community. It is hoped that this seed money will leverage up to \$100 million in new research and development and innovation investments in New Brunswick and close the innovation gap between New Brunswick and the rest of Canada.

Today's budget provides further stimulus for investment and innovation, including the creation of a special University Infrastructure Trust. A one-time investment of \$15 million will be made in order to provide for infrastructure improvements in our universities. This targeted funding will assist in ensuring excellence in the research and teaching capacity of our universities.

We believe this strategic infrastructure investment is critical to the success of our post-secondary institutions and students in the 21st century. We are therefore calling upon the federal government to match this funding via its own new \$2 billion Strategic Infrastructure Foundation and support the advancement of New Brunswick's universities.

Competitive Taxes for Jobs and Growth

Mr. Speaker, competitive taxes are a cornerstone of our prosperity plan. In fact, they have been a key priority since we took office. New Brunswick's taxes have been too high for too long. That is why we have lowered personal and corporate income taxes in each of our budgets and why we are doing so once again in this year's budget.

Our view is clear, Mr. Speaker. We believe that leaving more money in the hands of New Brunswickers to choose for themselves how they want to spend, invest and save is one of the wisest decisions a government can make. Tax relief empowers people, putting the most basic financial decisions in their hands where they belong.

Lower taxes help create a more competitive business environment that encourages private sector job creation and economic growth. They create the incentive for businesses within New Brunswick to invest and expand. And they help attract new investment from outside New Brunswick. They encourage prosperity and provide greater opportunity.

Higher taxes inhibit investment, jobs and growth, and create disincentives to work. They send a signal that business is not welcome, that taxpayers do not count.

Well, Mr. Speaker, that is a signal we will never send.

With this budget, New Brunswick is moving to the front of the pack. Today, I am announcing a series of important new personal and corporate income tax measures that will solidify our position as the most competitive taxation regime in Atlantic Canada and among the most competitive personal and business tax regimes in all of Canada. These are steps we must take if we are to strengthen our economic competitiveness and close the economic gap with the rest of Canada.

Including measures in today's budget, this government is making significant reductions from the taxation levels in place in June 1999. We will:

- move from the highest general corporate income tax rate in Canada in 1999 at 17% to the third-lowest in Canada as of January 1, 2003, at 13%;
- maintain the lowest small business corporate income tax rate in all of Canada by reducing it from 6% in 1999 to 3% as of January 1, 2003;
- double the small business threshold from \$200,000 in 1999 to \$400,000 as of January 1, 2003;
- remove over 40,000 low-income New Brunswickers from the tax rolls by the 2003 taxation year;
- meet our commitment to reduce personal income taxes by 10% in just three years, one year earlier than promised,

- and provide New Brunswick taxpayers and businesses some \$287 million in cumulative personal and corporate income tax reductions since our first budget.

Together, these steps will give New Brunswick a significant competitive leg-up by fostering a more positive overall business and investment environment.

I would now like to summarize income tax reductions implemented in our past two budgets and provide details on the income tax reductions contained in today's budget.

Personal Income Tax Relief

Mr. Speaker, the 2000-2001 Budget delivered the first phase of personal income tax reductions for New Brunswickers. It reduced provincial personal income taxes by approximately \$54 million annually through a 5% rate reduction and increased personal credits.

The 2001-2002 Budget announced the second phase of personal income tax reductions. Measures included the introduction of a new Low-Income Tax Reduction and indexation of personal credits and tax brackets to protect taxpayers against inflation. New measures resulted in additional tax relief of approximately \$34 million, and removed 15,000 taxpayers from paying provincial personal income tax for the 2001 taxation year.

As a result of our decision to introduce indexation in the 2001-2002 Budget, Mr. Speaker, personal income tax brackets and personal credit amounts were increased by 3% effective January 1, 2002, and will increase even further in 2003. This will result in additional savings of approximately \$21 million to New Brunswick taxpayers in 2002-2003.

The State of the Province Address announced a further personal income tax reduction for low-income New Brunswickers. I am pleased to provide the details today.

Effective for the 2002 taxation year, the Low-Income Tax Reduction will be enhanced to ensure that all single tax filers with incomes up to \$11,000 and families earning up to \$18,000 will no longer pay provincial income tax. When New Brunswickers complete their tax returns for 2002, more than 10,000 additional tax filers will be removed from the provincial income tax rolls.

Effective for the 2003 taxation year, the Low-Income Tax Reduction will be further enhanced so that all single tax filers with incomes up to \$12,500 will no longer be subject to provincial income tax. As a result, New Brunswickers who earn income from a full-time job at the minimum wage and families earning up to \$20,000 will no longer be subject to provincial income tax. This will remove a further 15,000 tax filers from paying provincial tax for the 2003 taxation year.

The Low-Income Tax Reduction is anticipated to save New Brunswick taxpayers approximately \$6 million in 2002-2003. Altogether, more than 40,000 New Brunswick tax filers will be removed from the provincial tax rolls as a result of measures taken by this government.

As a result, a single individual with earned income of \$12,500 will pay no provincial personal income tax in 2003, a savings of \$502 from what they would have paid in 1999. A one-earner family with income of \$20,000 will also pay no provincial personal income tax, resulting in annual savings of \$613.

Mr. Speaker, the personal income tax reductions implemented since we took office mark significant progress toward relieving the personal tax burden in New Brunswick. In 2002-2003 alone, New Brunswickers will save an estimated \$110 million in personal income tax. This, Mr. Speaker, equates to a savings of 10.7%, which exceeds the government's commitment of a 10% reduction in personal income taxes. Cumulative personal income tax savings over the 2000-2001 through 2002-2003 period are estimated at \$231 million.

To put this in perspective, Mr. Speaker, a one-earner family with an income of \$35,000 would have paid approximately \$2,373 in provincial personal income tax in 1999. In 2003, this family will pay approximately \$1,921, a reduction of \$452, or 19%. This same family will have saved a cumulative \$1,295 in provincial personal income tax since our income tax reductions began.

The bottom line is that this government is allowing New Brunswickers to keep more of their hard earned dollars.

Corporate Income Tax Reductions

Mr. Speaker, when this government was elected, no province had a higher general corporate income tax rate than New Brunswick. No province imposed a higher penalty on economic success.

Competitive business taxes are vital to a prosperous economy. That is why this government has progressively lowered corporate income taxes. In our first two budgets, we reduced the small business rate twice, increased the income threshold eligible for the small business rate, and provided the first reduction in the general corporate income tax rate in over 20 years.

Today, I am pleased to provide further details on the general corporate income tax rate reduction announced in the premier's State of the Province Address.

Effective July 1, 2002, New Brunswick's general corporate income tax rate will be reduced to 14.5%. It will be further reduced to 13%, effective January 1, 2003. As a result, we will go from having the highest general corporate income tax rate in the country in 1999 to the third lowest in

the country by 2003. This will enhance our competitiveness, create jobs, and help make New Brunswick a magnet for new business investment.

As a result of decisions this government has taken, Mr. Speaker, New Brunswick has the lowest small business corporate income tax rate in the country at 4%. That is a competitive advantage for our home-grown small businesses that we intend to make even stronger. Effective July 1, 2002, the small business corporate income tax rate will be reduced to 3.5% and further reduced to 3% as of January 1, 2003. This represents a 50% reduction in the small business tax rate since this government took office. Combined with red tape reduction, this is the best way to help our small businesses in New Brunswick to grow and prosper.

We intend to do even more for small businesses in our province, Mr. Speaker. Not only are we lowering the small business tax rate, we are increasing the income threshold eligible for the small business rate. Effective July 1, 2002, New Brunswick's small business threshold will be increased from \$300,000 to \$350,000. Effective January 1, 2003, it will increase again, from \$350,000 to \$400,000. This represents a doubling in the income level eligible for the small business tax rate from the level in place in 1999.

For a small business in New Brunswick with \$400,000 of active business income, these measures will result in a reduction of approximately \$34,000 in corporate income taxes paid in 2003, savings of 74% compared to 1999. These are real savings that reward entrepreneurial success and initiative and can be reinvested right here in New Brunswick.

Combined, new measures will generate additional corporate income tax reductions for New Brunswick businesses of approximately \$11 million in 2002-2003. In concert with tax reductions implemented in the 2000 and 2001 budgets, the estimated tax savings to businesses in 2002-2003 are \$31 million.

Once fully implemented, these new measures will be worth approximately \$39 million annually in tax reductions for New Brunswick's small, medium and large business community.

Cumulatively, corporate income tax savings are estimated at \$56 million over the 2000-2001 through 2002-2003 period.

Together these measures have considerably reduced the tax burden on New Brunswick businesses, helping make them more competitive while creating a more positive environment for job creation and economic growth. They demonstrate our commitment to building a strong, vibrant and competitive business community in New Brunswick.

Conclusion

Mr. Speaker, today's budget is about *Choosing Prosperity: A Balanced Approach*. It represents a major step forward, and a critical first step, in implementing the government's 10-year prosperity plan.

By again balancing the budget and lowering taxes, it contributes towards a more competitive fiscal and business environment for our province. It continues to invest in people, with record dollars for health care and education. It provides for innovation and investment in strategic infrastructure through the creation of new funds for innovation and university infrastructure.

Measures announced today represent an important step in making New Brunswick an investment magnet. They will create jobs and economic growth and lead us towards greater prosperity.

This budget is an investment budget. This budget is an innovation budget. This budget is a prosperity budget. And, most of all, this is a people budget.

It takes us on a clear path to a stronger economy while meeting the priorities of New Brunswickers. It manages smarter today to build a stronger future tomorrow.

Most of all, it chooses prosperity through a balanced approach. That has been our way from the start and that will be our way in the future.

Thank you, Mr. Speaker.

Appendix: Summary Budget Information

BUDGET PLAN
2002-2003
Millions
\$

BUDGETARY ACCOUNTS	Budget Plan
Ordinary Account:	
Revenues	4,847.4
Expenditures.....	4,949.4
Surplus (Deficit)	(102.0)
Capital Account:	
Recoveries	48.0
Expenditures.....	257.8
Net Capital Expenditures.....	209.8
Special Purpose Account:	
Revenues	32.7
Expenditures.....	31.2
Surplus (Deficit)	1.5
Special Operating Agencies:	
Revenues	187.3
Expenditures.....	175.7
Surplus (Deficit)	11.6
Sinking Fund Earnings	240.0
Decrease (Increase) in Net Debt	(58.7)
Transfer (to) from Fiscal Stabilization Fund	80.0
Surplus (Deficit)	21.3

COMPARATIVE BUDGET PLAN
Millions
\$

	Year Ending March 31		
	2002 Budget Estimate	2002 Revised Estimate	2003 Budget Estimate
BUDGETARY ACCOUNTS			
Ordinary Account:			
Revenues	4,707.2	4,838.0	4,847.4
Expenditures	4,725.5	4,767.4*	4,949.4
Surplus (Deficit)	(18.3)	70.6	(102.0)
Capital Account:			
Recoveries	20.9	21.1	48.0
Expenditures	197.2	205.5	257.8
Net Capital Expenditures	176.3	184.4	209.8
Special Purpose Account:			
Revenues	33.0	34.1	32.7
Expenditures	31.4	29.8	31.2
Surplus (Deficit)	1.6	4.3	1.5
Special Operating Agencies:			
Revenues	179.4	168.4	187.3
Expenditures	181.6	181.8	175.7
Surplus (Deficit)	(2.2)	(13.4)	11.6
Sinking Fund Earnings	230.0	230.0	240.0
Decrease (Increase) in Net Debt	34.8	107.0	(58.7)
Transfer (to) from Fiscal Stabilization Fund	0.0	(70.0)	80.0
Surplus (Deficit)	34.8	37.0	21.3

* Includes \$20 million New Brunswick Innovation Foundation and \$15 million University Infrastructure Trust.

Note: Columns may not add due to rounding.

NEW BRUNSWICK ROAD IMPROVEMENT FUND¹
Millions
\$

	Year Ending March 31		
	2002 Budget Estimate	2002 Revised Estimate	2003 Budget Estimate
Revenue			
Gasoline and Motive Fuel Tax	184.0	188.0	210.0
Expenditures			
Department of Transportation			
Capital Account	116.7	123.5	168.1
Ordinary Account	140.2	140.2	148.3
Total Expenditures	256.9	263.8	316.4
Net Expenditures	72.9	75.8	106.4
 Source of funding for Net Expenditures			
Federal Capital Recoveries	14.8	15.6	40.1
Provincial Contribution from Consolidated Fund	58.1	60.2	66.2
TOTAL	72.9	75.8	106.4

¹N.B. Road Improvement Fund revenues and expenditures are included in the ordinary and capital accounts in the budget plan.

Note: Columns may not add due to rounding.

FISCAL STABILIZATION FUND
Thousands
\$

	Year Ending March 31		
	2002 Budget Estimate	2002 Revised Estimate	2003 Budget Estimate
Opening Balance.....	100,000	100,000	173,600
Deposit	0	70,000	0
Withdrawal	0	0	(80,000)
Earnings	4,300	3,600	3,000
Closing Balance	104,300	173,600	96,600

GROSS BUDGETARY REVENUE 2002-2003

Thousands

\$

DEPARTMENT	Ordinary Account	Capital Account	Special Purpose Account	Special Operating Agency	Inter- Account Transactions	Total Gross Budgetary Revenue
Agriculture, Fisheries and Aquaculture	3,251					3,251
Business New Brunswick	12,314	485				12,799
Education	24,176		15,288			39,464
Environment and Local Government	2,983		4,650			7,633
Family and Community Services	62,745		4,906			67,650
Finance	4,227,268		556			4,227,824
General Government			1,218			1,218
Health and Wellness	34,674	150	1,640			36,464
Justice	40,203		398			40,601
Legislative Assembly	9					9
Natural Resources and Energy	82,754	50	1,121			83,925
Office of the Comptroller	52					52
Other Agencies	140,088					140,088
Public Safety	94,686		2,418	3,426		100,530
Regional Development Corporation	11,723	7,000		26,270	(15,706)	29,287
Supply and Services	969		505			1,474
Tourism and Parks	3,038			755		3,792
Training and Employment Development	101,811		36	87,259	(62,549)	126,557
Transportation	4,635	40,300		69,619	(68,969)	45,585
TOTAL:	4,847,377	47,985	32,736	187,328	(147,224)	4,968,202
Sinking Fund Earnings						240,000
Transfer from Fiscal Stabilization Fund						80,000
GROSS BUDGETARY REVENUE						<u>5,288,202</u>

Note: Columns may not add due to rounding.

GROSS BUDGETARY EXPENDITURE 2002-2003

Thousands

\$

DEPARTMENT	Ordinary Account	Capital Account	Special Purpose Account	Special Operating Agency	Inter- Account Transactions	Total Gross Budgetary Expenditure
Agriculture, Fisheries and Aquaculture	29,295	300				29,595
Business New Brunswick	30,822					30,822
Education	760,438	1,000	15,287			776,725
Environment and Local Government	52,226	1,457	4,650			58,333
Executive Council Office	4,758					4,758
Family and Community Services	697,905		2,002			699,907
Finance	80,959		56			81,015
General Government	231,495		1,218			232,713
Health and Wellness	1,429,437	5,687	1,743			1,436,867
Intergovernmental Affairs	1,952					1,952
Justice	40,293		357			40,650
Legislative Assembly	13,770					13,770
Maritime Provinces Higher Education Commission	180,334					180,334
Natural Resources and Energy	91,549	1,000	1,200			93,749
Office of the Comptroller	5,101					5,101
Office of Human Resources	5,761					5,761
Office of the Premier	1,179					1,179
Public Safety	91,230		2,418	3,725		97,373
Regional Development Corporation	49,512	21,887		26,270	(15,706)	81,963
Service of the Public Debt	685,000					685,000
Supply and Services	87,494	57,860	2,205			147,559
Tourism and Parks	24,982	500		802		26,284
Training and Employment Development	205,612		36	87,259	(62,549)	230,358
Transportation	148,332	168,100		57,619	(68,969)	305,082
GROSS BUDGETARY EXPENDITURE	<u>4,949,436</u>	<u>257,791</u>	<u>31,172</u>	<u>175,675</u>	<u>(147,224)</u>	<u>5,266,850</u>

Note: Columns may not add due to rounding.

GROSS ORDINARY REVENUE BY SOURCE

Thousands

\$

Year Ending March 31

	2002 Budget Estimate	2002 Revised Estimate	2003 Budget Estimate
OWN SOURCE			
Taxes			
Personal Income Tax	903,100	909,600	922,500
Corporate Income Tax	158,000	179,900	142,300
Metallic Minerals Tax	3,000	3,000	6,400
Provincial Real Property Tax	272,000	280,000	297,310
Harmonized Sales Tax	691,000	660,000	699,000
Gasoline and Motive Fuel Tax	184,000	188,000	210,000
Tobacco Tax	50,000	63,000	70,000
Pari-Mutuel Tax	60	80	80
Insurance Premium Tax	25,800	28,500	28,500
Real Property Transfer Tax	3,000	3,400	3,800
Large Corporation Capital Tax	32,000	39,010	34,900
Financial Corporation Capital Tax	8,400	8,900	8,600
Sub-Total: Taxes	<u>2,330,360</u>	<u>2,363,390</u>	<u>2,423,390</u>
Return on Investment	156,208	120,602	164,544
Licenses and Permits	94,872	95,255	96,815
Sale of Goods and Services	83,664	85,526	84,728
Royalties	59,560	57,132	63,458
Lottery Revenues	80,031	90,018	110,023
Fines and Penalties	1,711	1,746	1,701
Miscellaneous	14,152	15,720	15,136
TOTAL: OWN SOURCE REVENUE	<u>2,820,558</u>	<u>2,829,388</u>	<u>2,959,794</u>
Unconditional Grants - Canada			
Fiscal Equalization Payments	1,217,000	1,321,270	1,202,000
Canada Health and Social Transfer	490,000	494,889	494,400
Other	1,900	1,900	1,900
Sub-Total: Unconditional grants - Canada	<u>1,708,900</u>	<u>1,818,059</u>	<u>1,698,300</u>
Conditional Grants - Canada	177,729	190,505	189,283
TOTAL: GRANTS FROM CANADA	<u>1,886,629</u>	<u>2,008,564</u>	<u>1,887,583</u>
TOTAL: GROSS ORDINARY REVENUE	<u>4,707,187</u>	<u>4,837,952</u>	<u>4,847,377</u>

Note: Columns may not add due to rounding.

NET DEBT
Millions
\$

	Year Ending March 31		
	2001 Actual	2002 Revised Estimate	2003 Budget Estimate
Net Debt as at March 31 of the previous year.	6,807.7	6,625.9	6,518.9
Decrease (Increase) in Net Debt for the Year.	181.8	107.0	(58.7)
Net Debt — End of Year.	6,625.9	6,518.9	6,577.6