

2008-2009 **Budget**

Finance
Victor Boudreau
Minister

Budget 2008-2009

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Introduction

Mr. Speaker, on September 18, 2006, New Brunswickers voted for a *Charter for Change*, a plan to transform New Brunswick and become self-sufficient by 2026. I am pleased to rise in this House today and table the 2008-2009 Budget that supports transformational change in this province and builds on the important actions we have already undertaken since October 2006, actions to build a better, more self-sufficient New Brunswick.

The *Charter for Change* outlines our goals of being a more prosperous and populous province reliant on our own resources. By working together, we will achieve two-thirds of our *Charter for Change* commitments by our second anniversary. *Our Action Plan To Be Self-Sufficient in New Brunswick*, released this past fall, provides a blueprint for achieving our goals, and the Speech from the Throne provides further details on how we intend to transform the province. This budget builds on these cornerstones, as well as on our significant “day-one” initiatives and 2007-2008 budget measures.

Achieving self-sufficiency requires fundamental change and it includes taking bold action. Today’s budget illustrates our commitment to providing the necessary leadership to implement transformative change. It lays the groundwork to grow the economy and create more wealth for our people, deliver more efficient, effective and affordable public services and provide better lives for all New Brunswickers. Transformational change is not only about investing in new and strategic areas; it is also about re-focusing current programs and services. As a government, we must balance the needs and priorities of New Brunswickers and the initiatives necessary to achieve greater self-sufficiency. And we must continue to do so in a disciplined and fiscally responsible manner.

The 2008-2009 Budget, Mr. Speaker, reflects our commitment to transform our economy, our workforce, our relationships and our government.

This budget provides for:

- A balanced budget with no tax increases;
- An increase of \$113.3 million in health care spending that includes new funding for our soon-to-be-released health plan, that will improve the health care system and put our patients first;
- An increase of \$63.5 million or 7.2 per cent in K-12 education spending that includes investments in our *When kids come first* agenda and will put our children first;
- An additional \$12 million in financial assistance to universities resulting in a tuition freeze for our four publicly-funded universities for the coming academic school year, that will ease the debt burden on our students;
- Funding to hire 43 new social workers to further protect our children and meet the needs of New Brunswick families;

- An increase of 3.4 per cent for the Department of Social Development to provide help for those in need, building on important initiatives already undertaken since October 2006.

Mr. Speaker, today's budget also outlines a process for significant tax reform to be undertaken over the coming months that will ultimately lead to a New Brunswick tax system that will be more competitive, generate economic growth and investment, and build wealth.

All-in-all, this budget builds on transformative change that began with our 2008-2009 Capital Budget. Excluding the one-time Trans-Canada Highway payment in 2007-2008, this is the largest capital budget in the province's history; the centerpiece being the new Asset Management System for road infrastructure management developed by the Department of Transportation.

In preparing this budget, we have taken into account input from our pre-budget consultations. These consultations identified health and senior care, education, economic development, and balanced budgets among the top priorities of New Brunswickers. I would like to take this opportunity to thank all New Brunswickers who participated during our pre-budget consultation process.

This budget illustrates a Liberal government in action: decisive, determined, focused on its goals and working together with all stakeholders. However, we cannot transform the province and make it self-sufficient alone. It will take the commitment and ideas of business, interest groups, communities, public servants, workers and all New Brunswickers to transform the province and achieve self-sufficiency.

Action Plan to Be Self-Sufficient

Mr. Speaker, achieving self-sufficiency will not be an easy task. However, it is a goal that we, as a province, must strive to attain. The Self-Sufficiency Task Force engaged New Brunswickers in a discussion of the challenges and opportunities facing the province. The task force's final report included ideas and recommendations for the government to consider in developing its action plan.

Our Action Plan To Be Self-Sufficient in New Brunswick outlines our commitment to transformative change through strategic initiatives in four key areas:

- *Transforming our economy* by encouraging entrepreneurial activity, investment, innovation and growth while managing economic, social and environmental resources for sustainability;
- *Transforming our workforce* by making the strategic investments required to ensure we have productive citizens who have acquired the necessary education and skills to seize the opportunities offered by a better New Brunswick;

- *Transforming our relationships* by building partnerships with all levels of government, the business community and labour leaders that are focused upon achieving self-sufficiency;
- And *transforming our government* by focusing on more effective and efficient means of managing and delivering public services.

Mr. Speaker, a key recommendation of the Self-Sufficiency Task Force was developing a new provincial brand that would transform the way New Brunswickers feel about themselves, as well as the way people and business from outside the province view us. Our new brand is first and foremost about people. It recognizes that New Brunswickers want a diverse and growing economy that builds on our unique way of life and the values shared by all who live in our province. We want to build a self-sufficient New Brunswick that thrives on participation, collaboration, entrepreneurship and innovation. We want people to be themselves, belong and be better in New Brunswick. Our new brand allows people to be whatever they want to be here in this place we call New Brunswick.

This budget is a milestone for our province as we move down the path to self-sufficiency.

Economic Review and Outlook

Mr. Speaker, I would now like to provide an update on the New Brunswick economy for 2007 and an outlook for 2008.

The New Brunswick economy was confronted with various challenges in 2007, particularly those faced by the forest and non-energy manufacturing sectors due to the appreciation of the Canadian dollar and slowdown in the U.S. economy. Despite these challenges, our economy performed well, reflecting its growing diversity. The Department of Finance estimates real Gross Domestic Product (GDP) increased 2.4 per cent last year as business investment and consumer spending led the economy. Most key economic indicators reported solid performances in 2007, including:

- Capital investment continued to be the engine of growth, increasing 5.4 per cent to a record \$6.0 billion;
- Employment increased 2.1 per cent and 7,400 net new jobs were created, the best performance in Atlantic Canada and second highest annual rate of growth east of Alberta;
- The province's unemployment rate declined to 7.5 per cent, reaching its lowest level in over 30 years and the lowest annual rate in Atlantic Canada;
- Average weekly earnings increased 3.7 per cent, outpacing the national increase for the ninth consecutive year;
- Retail sales posted the strongest increase since 1999, at 6.3 per cent;
- And both foreign merchandise exports and manufacturing sales posted increases following declines in 2006.

While the overall economy performed well in 2007, the forest and non-energy manufacturing sectors experienced difficulty. The downturn in the forest industry is an

international problem, and there is no simple solution. Despite this, we are very conscious of the effect layoffs and shutdowns have on people and communities throughout the province. This government is committed to working with the forest sector and impacted people and communities to help in the transition they are facing.

Mr. Speaker, the current slowdown in the U.S. economy – our main export market – will have implications throughout Canada in 2008, including here in New Brunswick. Combined with the impact of the high Canadian dollar, this will serve to constrain economic growth. Overall, New Brunswick's economic growth is anticipated to moderate, but remain healthy, supported primarily by capital investment and strong world demand for mineral products. The Department of Finance is forecasting real GDP growth of 1.8 per cent for 2008. Private sector forecasters currently expect growth to be in the 1.9 per cent to 2.7 per cent range. As is usual practice, the Department of Finance will monitor developments in the economy closely over the coming months.

Employment growth is expected to ease in 2008, as increased employment related to capital investment throughout the province will be offset by weakened employment in the forest sector. As a result, personal income growth will also moderate in 2008. The provincial unemployment rate will remain comparable to the previous year.

The construction of the LNG terminal in Saint John and the refurbishment of the Point Lepreau nuclear power plant are major investment projects in 2008. The record level of spending in the 2008-2009 Capital Budget will also provide economic stimulus throughout the province. As well, the \$1.7 billion expansion of the potash mine near Sussex and the recently announced wind farm projects can be expected to strengthen business investment.

Mr. Speaker, the federal finance minister noted in his recent budget that developments in the North American economy have left little fiscal flexibility in the coming year and caution is necessary. We are no different in New Brunswick. A slower-growing economy will serve to constrain revenue growth after a number of years of relatively robust revenue increases. This has required a prudent approach to the 2008-2009 Budget. Within that context, we will invest strategically as we begin to undertake transformative change.

2007-2008 Fiscal Update

Mr. Speaker, I would now like to provide an update on the fiscal situation in the current year. For 2007-2008, we are projecting a surplus of \$18 million. A surplus of \$37.1 million was projected at budget, while a surplus of \$78.9 million was estimated in the December fiscal update.

Revenues have come in considerably stronger than budget for 2007-2008. This has allowed the government to address in-year spending pressures and other priorities. It has also allowed the government to make year-end spending decisions.

In total, revenues have increased \$241.9 million since budget. Among the major contributing factors is an increase in net income of \$85 million for the New Brunswick Electric Finance Corporation. In part, this reflects the impact of NB Power reaching a fuel supply lawsuit settlement in August 2007. A further \$41.3 million is related to the new federal Equalization Program from the 2007 federal budget. And, tax revenues improved by \$46.4 million from budget, with stronger-than-anticipated revenues from income taxes and the Metallic Minerals Tax.

Spending has increased \$261 million since budget in part due to \$110 million in funding for universities in 2007-2008, \$44.5 million in increased economic development activity under Business New Brunswick and the Regional Development Corporation, and \$30 million in additional funding to cover deficits for Regional Health Authorities.

Mr. Speaker, we will be tabling supplementary spending estimates for 2007-2008 today in addition to the 2008-2009 spending estimates.

2008-2009 Fiscal Outlook

Mr. Speaker, I will now provide details on the outlook for 2008-2009.

Today's budget reflects our continued commitment to fiscal responsibility and discipline, with a modest surplus of \$19 million projected.

We are mindful of the challenges facing our economy, particularly in light of the U.S. slowdown and the high Canadian dollar. This is reflected in our revenue forecast. In total, Mr. Speaker, revenues are anticipated to grow by \$185.4 million, or 2.7 per cent from 2007-2008.

Today's budget contains no tax increases. In fact, Mr. Speaker, this budget will result in \$15 million in additional savings to businesses as part of the continued phase-out of the Large Corporation Capital Tax, which will be eliminated at year-end.

We believe that maintaining fiscal responsibility is fundamental to a more self-sufficient New Brunswick. We have made our spending decisions within that framework. Today's budget includes a number of new initiatives that will facilitate transformational change in New Brunswick. At the same time, we are re-focusing current programs and services and realizing administrative efficiencies across government. Departments will be asked to realize a total of \$15 million in program administrative savings this coming year. In total, spending will increase by \$184.3 million, or 2.7 per cent this year.

The *Fiscal Responsibility and Balanced Budget Act* provides for a balanced budget over the 2007-2008 to 2010-2011 period, and a reduction in the net debt-to-GDP ratio from the previous fiscal period. With today's budget, we are anticipating a cumulative surplus for balanced budget purposes of \$37 million for the first two years of the current four-year fiscal period, and a reduction in the net debt-to-GDP ratio from 26.1 per cent at the end of 2006-2007 to 25.6 per cent in 2008-2009.

Transforming New Brunswick and Investing in Self-Sufficiency

Mr. Speaker, today's budget builds on strategic initiatives undertaken by this government since October 2006. It also includes investments in new initiatives promoting transformational change, while promoting more efficient, effective and affordable public services.

The process of transforming our economy will not be completed overnight. But we must take action now to move New Brunswick in the right direction. In 2008-2009, the transformational process will see a new health care plan putting patients first; important investments in K-12 and post-secondary education; a further strengthening of our social services network and senior care; strategic investments in economic development including new funding for northern New Brunswick; and an important tax reform process that will lead to a revamped, more competitive tax system benefiting all New Brunswickers.

Transforming Our Government

Mr. Speaker, today's budget includes a number of measures that will begin to transform our government and the services that we deliver. We are excited about our soon-to-be-released health plan that will help to transform the health care system into a more integrated and efficient network of health services that puts patients first. In this regard, today's budget contains investments to begin the transformative process for our health care system. In total, the ordinary account budget for the Department of Health will increase by \$113.3 million or 5.4 per cent over revised 2007-2008 estimates, to \$2.2 billion.

The government has already announced certain elements of our new health plan related to governance, non-clinical services and the establishment of the New Brunswick Health Council. Among these, the transition from eight Regional Health Authorities to two represents a major change to the governance of our health care system. This budget includes funding required to support the transition, which will improve accountability, streamline operations and provide administrative efficiencies going forward. This will result in savings that will be reinvested into front-line health care programs and services.

Overall, the 2008-2009 Budget contains \$21.1 million in ordinary account spending and \$19.7 million in capital spending for new initiatives related to the health plan. This includes funding for e-Health and HPV vaccinations for our female youth, as well as other new initiatives. The Minister of Health will release details of these, and many more initiatives, when he releases his full health care plan and presents his estimates later this session.

Today's budget includes funding to address wait times and to provide better access to health care services. Funding is available for initiatives including:

- 30 new physicians that were hired in 2007-2008;
- \$1.75 million for the newly constructed Ambulatory Care Centre at the Moncton Hospital to address wait times for surgery;
- Operational funding of \$590,000 for the new Surgical Suite in Bathurst;
- \$581,500 to increase the number of MRI scans being performed in Fredericton and Edmundston;
- An additional \$7 million for the Ambulance Enhancement Strategy;
- \$2 million for electrophysiology services at the New Brunswick Heart Centre;
- And over \$750,000 in enhancements to mental health services across the province.

Mr. Speaker, strategic infrastructure investment is vital to the transformation of the health system in New Brunswick. The capital budget included funding of \$57.5 million for health care projects including funding for renovations at the Restigouche Hospital Centre for a new 20-bed forensic unit and a two-bed seclusion area. Today's budget includes an additional \$685,000 in operational costs for the forensic unit. The capital budget also committed \$715,000 in funding for renovations to health facilities in Caraquet and Dalhousie for the addition of palliative care beds. This budget includes \$450,000 in operational funding for those beds.

This past year, the Department of Family and Community Services became the Department of Social Development to better reflect our vision of self-reliance, an improved quality of life, and protection for those who need it. Ordinary account spending for this department will increase 3.4 per cent to \$910.4 million.

Today's budget supports *Be independent. Longer.*, our new 10-year strategy to strengthen the provincial long-term care system and to keep seniors independent for as long as possible. Additional focus will be placed on wellness and prevention, as well as enhanced at-home support for seniors and family caregivers.

Improving services to seniors has always been one of our top priorities. Since the beginning of our mandate, we have made significant investments to improve services for the senior population including exempting assets from the calculation of nursing home fees, reducing the nursing home rate to \$70 per day, increasing the hours of nursing home care and restoring the maximum hours of in-home support. Today's budget will provide an additional \$5 million to increase nursing home care to 3.1 hours per day.

This budget will invest an additional \$3.9 million to continue to improve access to long-term care services through enhanced home support and special care home services. These investments will ensure the right care, in the right place, at the right time. Since June 2007, we have announced that 173 new nursing home beds will be opened over the next three years, for a total investment of \$132 million in nursing home infrastructure.

This is a government that is committed to the protection of children and meeting the complex needs of today's families. In 2008-2009, we will invest \$2.4 million to hire 43 new social workers. This is part of our commitment to provide new services to families, strengthen the role of child welfare staff and better protect children. The new social workers will support this government's *Charter for Change* commitment to address staff shortages in child protection.

Since this government took office, social assistance rates have been increased by 5.0 per cent. Today's budget will increase rates by an additional 3.0 per cent, effective October 2008, for those who need help the most. This will move us much closer to our *Charter for Change* goal of raising social assistance rates to the average for Atlantic Canada.

In 2007-2008, this government provided an additional \$5.7 million for the Early Learning and Child Care Trust Fund to support the creation of more child care spaces and training opportunities for child care staff. In the *Charter for Change*, this government committed to double the number of infant spaces over its mandate. In less than one year, this funding has helped to increase the number of infant spaces by 30 per cent. In 2008-2009, we will invest a further \$5.7 million in early learning and child care.

Mr. Speaker, we must ensure that wellness is a priority for our province if we are to achieve our goal of self-sufficiency. The Department of Wellness, Culture and Sport will see a \$2 million increase to its budget in 2008-2009. A portion of this funding will support wellness and sport initiatives including:

- Funding for an Atlantic collaboration framework on health promotion and wellness as it relates to healthy food choices, physical activity and a reduction in smoking;
- Increased funding for sport and recreation to address capacity issues within the sport and recreation system;
- And the expansion of the Pedometer Initiative to more schools to help motivate students to engage in an active and healthy lifestyle.

This funding increase will also support New Brunswick arts and culture by:

- Implementing a book policy which will strengthen the publishing industry in New Brunswick and increase access to books and reading throughout the province. It will also provide funding for literary translation to better support the sharing of literature between cultural and linguistic groups;
- Providing funding to support the coordination and implementation of key recommendations of the États généraux des arts et de la culture dans la société acadienne au Nouveau-Brunswick;
- And hosting a forum on the contributions of arts and culture to New Brunswick.

Mr. Speaker, it is important to remind New Brunswickers that the 2008-2009 Capital Budget put strategic infrastructure at the forefront of the government's agenda. It focused

on the rehabilitation of the province's existing highway and bridge infrastructure by moving to an Asset Management System. This innovative and award-winning system has been developed by the Department of Transportation to identify how roads and bridges deteriorate over time and the appropriate time to perform rehabilitation work in order to avoid significant reconstruction investment in the future. In 2008-2009, the Asset Management System will result in an investment of \$178 million in rehabilitating the province's existing network of highways, bridges and roads, \$132 million more than was budgeted in 2007-2008.

Other initiatives include:

- Providing funding of \$843,000 to the Office of the Public Trustee within the Department of Justice and Consumer Affairs;
- Providing additional funding of \$249,000 for the Office of the Conflict of Interest Commissioner and an additional \$400,000 to expand the important work of the Office of the Ombudsman and Child and Youth Advocate;
- Funding of \$80,000 for the enforcement of Pay Day Loan legislation, designed to regulate the practices of this class of short-term lenders;
- Transferring the Rentalsman's Program to Service New Brunswick and providing additional funding to enhance service delivery throughout the province;
- And investing \$500,000 in the Provincial Archives to meet the growing demand for archival services.

Today's budget also provides funding for a shared services initiative to be led by the Department of Supply and Services. This will involve streamlining shared services across government, with any savings redirected into front-line programs and services.

Transforming Our Relationships

Mr. Speaker, it is also important that we continue to build strong relationships with other governments and other levels of government in New Brunswick, and with interest groups, unions, and other key sectors, as we must all work together to achieve self-sufficiency. Today's budget moves us further down this path.

Recognizing the importance of the work of, and the challenges facing, non-profit organizations throughout the province, this budget acts on a key recommendation of the Premier's Community Non-Profit Task Force and includes \$400,000 to establish a Secretariat for Community Non-Profit Organizations. This Secretariat is designed to revitalize the relationship between government and the non-profit sector, and support the culture of volunteerism for which New Brunswickers are already well-known.

I am also pleased to announce that my colleague, the Minister responsible for Community Non-Profit Organizations, will soon be tabling the government's response to the Premier's Community Non-Profit Task Force report. This government will be acting on many of the recommendations of the non-profit sector, including a government-wide initiative to simplify forms and reduce administrative burden.

Today's budget also recognizes the importance of volunteer firefighters in our communities by investing \$615,000 for additional and enhanced training.

Municipalities will receive an additional \$1.3 million in unconditional grant funding for 2008 that will benefit all 102 municipalities in the province.

Mr. Speaker, our government is working diligently with the Government of Canada to form a focused and sustainable partnership that will help the province address the economic and social challenges of achieving self-sufficiency by 2026. A strengthened partnership with the federal government now will enable New Brunswick to accelerate strategic investments in the pursuit of self-sufficiency, such that we will be reliant on our own resources by 2026.

While we were hoping for more positive news for New Brunswick from the recent 2008 federal budget, we are pleased with the partnership we have fostered with the federal government to date. Today's budget reflects funding related to recently signed agreements on infrastructure and the labour market.

The province is considering its participation in the Police Officers Recruitment Fund and the Public Transit Capital Trust that were announced as part of the 2008 federal budget. We are still awaiting details related to these initiatives, as well as the recently-announced Community Development Trust that will provide support to communities and workers suffering economic hardship. While no funding is reflected in today's budget, a multi-year strategy to invest funds over the designated timeframes will be developed by government upon finalization of the details surrounding these trusts.

All-in-all, these are important investments that will help create the conditions necessary for long-term prosperity and self-sufficiency, as well as aid New Brunswick and Canada in becoming more competitive in the global marketplace.

Mr. Speaker, this government also values the commitment, service and contributions of all public sector employees. We have the best public service in the country. Over the coming year, we have a number of collective bargaining agreements that will need to be negotiated. We are prepared to negotiate cooperatively with unions and employees on fair, affordable and responsible collective bargaining agreements that reflect cost-of-living and recruitment and retention challenges.

In this context, it is important to remember the North American economy is in the midst of a slowdown. Revenues in 2008-2009 are projected to grow more slowly than in recent years, meaning that each dollar we invest in patient care, in educating our young, in funding post-secondary education, in supporting those in need, and in building needed public infrastructure must be invested wisely. We all agree that we need to put our patients, our seniors, our students and our children first. Each year presents a challenge to balance the budget, with growing demands for health care, education and other important

public services. To that end, we must continue to manage the wage bill in an appropriate and fiscally responsible manner.

Transforming Our Workforce

Mr. Speaker, educating our youth and providing them with the skills to excel in our constantly-changing economy is basic to our quest for self-sufficiency. They represent the future workforce of the province. But we must also encourage life-long learning and literacy initiatives for those who require these skills as well.

This government released its new education plan last spring, *When kids come first*, reflecting the government's vision for building the best education system in the country and commencing fundamental changes to the path children will take through the K-12 education system. To support this vision, the operating budget of the Department of Education will increase by \$63.5 million, or 7.2 per cent, to \$941.6 million. This will include new initiatives related to *When kids come first* and will build on significant investments announced in the 2007-2008 Budget.

The government will make significant investments in our education plan initiatives in 2008-2009. The funding will be used to:

- Build on the \$10 million included in the 2007-2008 Budget in responding to recommendations of the MacKay Report;
- Increase the number of community schools, building on the 15 community schools established in 2007-2008;
- Enhance accountability by strengthening the assessment framework;
- And continue to provide training to teaching assistants and resource and methods teachers in applied behavioural analysis in support of students with autism.

This government will also make \$41.6 million in capital investments during 2008-2009 to ensure healthy and safe schools and improve the quality of learning, including \$25.7 million in strategic projects around the province and \$15.9 million in funding for major upgrades and renovations to existing schools.

Mr. Speaker, post-secondary education will be one of the engines of New Brunswick's drive to self-sufficiency. At present, too few New Brunswickers pursue a university degree, a college diploma or some other form of education following high school. In fact, New Brunswick is the province with the lowest percentage of people who have completed at least some post-secondary education in all of Canada. That must change.

We will build a prosperous, progressive, self-sufficient New Brunswick by increasing the number of educated and skilled people who live here. That requires a bold transformation in the way we educate New Brunswickers. This budget builds on initiatives we have already undertaken and begins the transformational process.

In addition to the 2007-2008 decision to remove parental and spousal income from the assessment of New Brunswick student loans at an annual cost of \$7 million, and the 3.4 per cent increase in funding to universities provided last year, today's budget delivers a further 6.0 per cent increase in funding to universities, providing an additional \$12 million.

This investment will allow us to address one of the most pressing issues facing our students – student debt. The cost of education has become too high in New Brunswick, particularly for a university education. Too many students are being forced to graduate with crushing levels of personal debt. And many others are choosing not to pursue a university education for fear of incurring this debt. In cooperation with New Brunswick's four publicly-funded universities, we are announcing a tuition freeze for the coming academic year that will serve to ease the debt burden on our students.

This is, of course, only a first step in creating a new education system in New Brunswick. The Working Group on Post-Secondary Education is drafting its final recommendations to government, building on the research, consultations, and recommendations of the Commission on Post-Secondary Education, which tabled its report last fall. Our objective is a high-quality post-secondary education system that is student-focused, collaborative, efficient, and accountable. The Minister of Post-Secondary Education, Training and Labour will be releasing further details of the transformation of the post-secondary education system during this session.

Mr. Speaker, one of the key building blocks of our *Charter for Change* and self-sufficiency strategy is to provide the environment for increasing the provincial population to meet our workforce needs and address population aging issues. The Population Growth Secretariat will receive additional funding in 2008-2009 of \$2.2 million over 2007-2008 spending to accelerate implementation of recommendations from its report *Be our future: New Brunswick's Population Growth Strategy*.

The prolonged downturn in the forest and other non-energy manufacturing industries has impacted many employees in the latter stages of their work-life. To meet the needs of unemployed older workers aged 55 to 64 in their transition into new employment, the Targeted Initiative for Older Workers will invest \$2.5 million in skills assessment and upgrading, counseling, and work experience projects offered at the community level. This measure will allow older workers to remain productive and help alleviate current and future labour shortages.

Transforming Our Economy

Mr. Speaker, transforming the economy will require the commitment not only of the government, but also of business and industry throughout the province.

The *Charter for Change* outlined a \$100 million Northern New Brunswick Initiative that is designed to improve strategic infrastructure in the northern parts of the province. An

important initial investment of \$15 million has been allocated in this budget to help northern New Brunswick develop and contribute to self-sufficiency.

Lack of access to capital for new and growing small businesses has traditionally been a barrier to their growth and survival. Financial assistance will be enhanced with \$3 million being invested in the NB Growth Program to promote start-ups as well as the expansion, diversification or productivity improvements that will support provincial self-sufficiency.

The government continues the phase-out of the Large Corporation Capital Tax (LCCT). Effective January 1, 2008, a rate of 0.10 per cent will apply, with the LCCT being phased-out at year-end. This measure, which provides businesses with \$15 million in additional savings in 2008-2009, reduces the overall level of business taxation in New Brunswick, providing further incentive to corporations to invest, locate and do business in New Brunswick.

Mr. Speaker, the goal of transforming New Brunswick into an energy hub for northeastern North America is one of the key initiatives of our self-sufficiency action plan. The proposed construction of a second petroleum refinery in Saint John would be the largest investment project in the province's history and would generate significant economic spin-offs and employment. But, as environmental stewards of the province, we must also be aware of the environmental impacts of such a project. This budget contains additional funding for the Department of Environment to complete a comprehensive Environmental Impact Assessment (EIA) on the proposal by Irving Oil Ltd. to construct and operate facilities for a petroleum refinery. The principal objective of this EIA study is to identify methods of averting and minimizing negative environmental impacts that might result from such an undertaking. Rest assured, the thorough EIA process will take place in its entirety before a government decision is made on the proposed project.

This government also remains committed to the restoration of the Petitcodiac River and provided funding in 2007-2008 to begin planning and design work for this important environmental project. It is also government's intention to create a trust fund in the 2008-2009 fiscal year, similar to the Saint John Harbour clean-up fund, to continue with this project. Discussions with other levels of government are being undertaken to determine their level of participation.

The fishing industry has traditionally been the backbone of many coastal communities in New Brunswick. This budget supports the industry with \$1 million in new funding for the Fisheries Renewal Framework which is designed to stimulate transformational change in this sector.

We will also provide \$1 million in new funding for strategic investments in the agriculture and aquaculture industries to improve their long-term viability by capturing opportunities and addressing industry challenges.

The development of New Brunswick as an all-season tourism destination is a key plank in the *Charter for Change* and is a driver for self-sufficiency. This industry is a vital

contributor to a growing economy in all areas of the province and will be supported by increased investment in 2008-2009 to enhance activities to aggressively market the province. This will be in addition to the \$1.2 million added in the 2007-2008 Budget.

As part of our Tourism Initiative announced last May, this government is also making significant investments to revitalize and expand key tourism infrastructure in order to enhance the visitor experience. The 2008-2009 Capital Budget includes an investment of \$5.5 million in the province's key tourism assets, including Kings Landing, Village Historique Acadien, Mount Carleton Provincial Park and Sugarloaf Provincial Park. This builds on key investments made last year, including \$5 million for the Fundy Trail.

Mr. Speaker, today's budget includes a reduction of \$12.7 million in silviculture funding. Of this, \$4.7 million is related to the elimination of contributions by the forest industry to the voluntary levy program, \$4 million is due to increasing landowner contributions for silviculture on their private woodlots, with the remaining \$4 million attributable to a reduction in funding for the Crown land silviculture program.

Despite this reduction, the province has provided significant financial support to the forest industry and implemented numerous measures for forest sector workers, businesses and communities, especially in Dalhousie, Miramichi and Bathurst, to help in their transition to the new realities in the forest sector. Government initiatives that have supported the industry include a combination of tax relief, loans and guarantees, training and re-training programs and fibre royalty reductions, with financial assistance and offers of assistance totaling more than \$300 million over the past several years.

Tax relief includes the Investment Tax Credit for Forestry, the High Energy Use Tax Rebate offered to pulp and paper mills, and the phase-out of the Large Corporation Capital Tax. Loans and other forms of financial support have been made available to mills to modernize operations. Royalties have been reduced for species such as hardwood logs, hardwood and groundwood pulp, and softwood pulpwood. Funding has been also provided for programs to upgrade and re-train current forest industry employees, as well as those displaced by the market downturn. Funding for communities and workers under the Community Development Trust will be available in the near future.

The government has also taken the initiative of engaging a team of national and New Brunswick experts to find ways to help the long-term competitiveness of our forest industry while respecting the environment, and to identify new opportunities to best increase New Brunswick's competitiveness in the global forest products marketplace. This team is expected to report back to government by June of this year. As well, the Forest Diversity and Wood Supply Task Force led by Dr. Thom Erdle will be releasing the results of its two-year study on assessing a range of options for the future management of Crown land. Public information sessions will be held on these reports following their release.

A Competitive Tax System for a Self-Sufficient New Brunswick

Mr. Speaker, the New Brunswick tax system raises revenues to pay for the services the province delivers such as health care, education, social programs, and highways. The tax system plays an important role in supporting economic growth and wealth creation. It must be equitable to all New Brunswickers, and it must place New Brunswick in a favourable position with respect to competing jurisdictions. One of the pillars supporting the self-sufficiency objective is the transformation of the tax system. New Brunswick's overall tax burden is competitive, but significant reforms will be required to support self-sufficiency.

During the past several months, this government has taken steps toward reviewing the New Brunswick tax system, and several options on how to transform the tax system are being finalized. In April, we will table a Green Paper that will outline options to significantly reform the tax system with our purpose to better facilitate wealth generation by all New Brunswickers, and make the province more attractive to investment and high paying jobs. The focus of this paper will be the entire tax system: personal income tax, corporate income tax, property taxes for individuals and businesses, consumption taxes, and fuel taxes. All will be fully examined. The paper will also include an examination of ways to ensure that local governments making decisions on financing public expenditures are more transparent and accountable to taxpayers who pay for these services.

In order to achieve stronger rates of economic growth and help attract skilled labour to New Brunswick, personal tax reform is necessary. Transformational personal tax reform will leave more income in the hands of New Brunswickers, help increase savings and investment, and generate wealth for current and future generations. A simplified personal tax system with significant income tax reductions will assist in achieving these outcomes.

It is important that business taxation be competitive with other jurisdictions and not be a deterrent for corporations to locate and invest in New Brunswick. Reducing the tax on corporate income will enhance New Brunswick's business tax competitiveness, and assist in encouraging new investment and job creation in New Brunswick, which are vital to economic growth and self-sufficiency.

These changes will grow the tax base over time, enabling us to invest in the priorities of New Brunswickers and move us on the path to greater self-sufficiency in a fiscally responsible manner.

The Green Paper that we will table in April will outline the general direction of tax reform, as well as present a range of options to improve the overall tax system, support economic growth, encourage savings and investment, and attract skilled labour to New Brunswick.

A Select Committee of the Legislature will be appointed to conduct consultations with stakeholders over the summer. This Committee will report back in the fall with recommendations for the government to consider and act upon.

We are not alone in looking at our tax system. In its October 2007 Economic Update, the federal government reiterated its Tax Advantage for Canada plan to make Canada more competitive and attractive for businesses to invest, spend and create jobs. As part of this, the federal government is encouraging provinces and territories to harmonize sales taxes, eliminate corporation capital taxes, and lower corporate income taxes.

New Brunswick supports this direction and, in fact, is well on its way to meeting the challenge. We are among four provinces that already have adopted a value-added sales tax regime. And, the phasing-out of our Large Corporation Capital Tax will be completed by year-end, further improving our competitiveness in 2009. In fact, Mr. Speaker, the federal government has noted that in 2012, New Brunswick will have an overall business tax advantage compared to all other Canadian jurisdictions.

In terms of lower corporate taxes, we are generally supportive of the federal government's principle of lowering the statutory corporate income tax rate to a combined 25 per cent federal-provincial-territorial rate by 2012 that would enhance Canada's position internationally as a country favoured for business investment. Lower provincial corporate income taxes will be among the tax reform options in our Green Paper.

As we embark on the process of tax reform, Mr. Speaker, we must continue to manage the province's finances in a fiscally responsible manner and respect our balanced budget legislation. As with all initiatives announced by this government, tax reform will need to be undertaken in this context.

Conclusion

Mr. Speaker, this budget is about making the decisions necessary to achieve self-sufficiency by 2026 through transformative change in our economy, our workforce, our relationships and our government. Today's budget makes strategic investments towards these objectives. It invests in the priorities of New Brunswickers. It maintains fiscal responsibility by providing for a balanced budget. And it sets out the process we will follow to reform our tax system to achieve our goals.

The process of transformational change will not be easy, but it is necessary. Today's budget reflects our commitment to leadership as we embark on the road to self-sufficiency.

We all know that New Brunswick is a great place to live, work and do business today. But we are aiming higher. By 2026, we are aiming to be self-sufficient here in this place we call New Brunswick.

Thank you, Mr. Speaker.

APPENDIX: SUMMARY BUDGET INFORMATION

COMPARATIVE STATEMENT OF SURPLUS OR DEFICIT

Thousands

\$

Year Ending March 31

	2008	2008	2009
	Estimate	Revised	Estimate
Revenue			
Ordinary Account.....	6,292,816	6,517,213	6,671,622
Capital Account.....	240	1,193	115
Special Purpose Account.....	49,196	56,774	52,198
Special Operating Agency Account (net).....	81,865	87,926	126,950
Sinking Fund Earnings.....	227,500	230,400	224,800
Amortization of Deferred Capital Contributions.....	<u>25,477</u>	<u>25,477</u>	<u>28,666</u>
Total Revenue	6,677,094	6,918,983	7,104,351
Expense			
Ordinary Account.....	6,190,118	6,422,928	6,565,526
Capital Account.....	77,844	79,819	81,160
Special Purpose Account.....	51,367	55,690	53,632
Special Operating Agency Account (net).....	70,317	91,711	115,498
Amortization of Tangible Capital Assets.....	<u>250,351</u>	<u>250,870</u>	<u>269,507</u>
Total Expense	6,639,997	6,901,018	7,085,323
 Surplus (Deficit).....	 <u>37,097</u>	 <u>17,965</u>	 <u>19,028</u>

Note:

The format of this statement has been simplified for 2008-2009. Please refer to page 28 for a comparative schedule using the format as presented in the 2007-2008 Budget.

COMPARATIVE STATEMENT OF CHANGE IN NET DEBT

Thousands

\$

	Year Ending March 31		
	2008 Estimate	2008 Revised	2009 Estimate
Surplus (Deficit).....	37,097	17,965	19,028
Acquisition of Tangible Capital Assets.....	(777,840)	(794,683)	(404,807)
Amortization of Tangible Capital Assets.....	250,351	250,870	269,507
Revenue Received to Acquire Tangible Capital Assets.....	159,889	153,220	26,669
Amortization of Deferred Capital Contributions.....	<u>(25,477)</u>	<u>(25,477)</u>	<u>(28,666)</u>
(Increase) Decrease in Net Debt.....	<u>(355,980)</u>	<u>(398,105)</u>	<u>(118,269)</u>

TOTAL REVENUE
2008-2009
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCY ACCOUNT (NET)</u>	<u>TOTAL</u>
Agriculture and Aquaculture	6,677	0	0	0	6,677
Business New Brunswick	10,551	20	0	0	10,571
Education	32,932	0	12,991	0	45,923
Energy	363	0	0	0	363
Energy Efficiency and Conservation Agency of New Brunswick	801	0	0	0	801
Environment	4,488	0	8,500	0	12,988
Finance	5,741,420	0	56	0	5,741,476
Fisheries	165	0	0	0	165
Health	38,689	0	1,370	0	40,059
Justice and Consumer Affairs	47,387	0	449	0	47,836
Legislative Assembly	484	0	0	0	484
Local Government	297	0	0	0	297
Natural Resources	79,624	40	2,723	0	82,387
Office of the Attorney General	128	0	0	0	128
Office of the Comptroller	175	0	0	0	175
Other Agencies	400,724	0	0	0	400,724
Post-Secondary Education, Training and Labour	137,603	0	2,253	28,174	168,030
Public Safety	107,453	0	6,581	5,704	119,738
Regional Development Corporation	0	0	0	89,889	89,889
Social Development	52,643	50	14,333	0	67,026
Supply and Services	624	5	1,063	0	1,692
Tourism and Parks	3,369	0	60	2,583	6,012
Transportation	5,025	0	0	600	5,625
Wellness, Culture and Sport	0	0	1,819	0	1,819
Sub-total	6,671,622	115	52,198	126,950	6,850,885
Sinking Fund Earnings					224,800
Amortization of Deferred Capital Contributions					28,666
TOTAL REVENUE					<u><u>7,104,351</u></u>

COMPARATIVE STATEMENT OF ESTIMATED GROSS REVENUE BY SOURCE

Thousands
\$

Year Ending March 31

OWN SOURCE	2008 Estimate	2008 Revised	2009 Estimate
Taxes			
Personal Income Tax.....	1,210,300	1,251,000	1,266,000
Corporate Income Tax.....	238,800	267,000	183,000
Metallic Minerals Tax.....	70,000	116,600	100,000
Provincial Real Property Tax.....	369,000	364,000	382,900
Harmonized Sales Tax.....	909,200	839,500	950,000
Gasoline and Motive Fuels Tax.....	191,200	199,000	199,000
Tobacco Tax.....	84,000	80,000	80,000
Pari-Mutuel Tax.....	65	60	65
Insurance Premium Tax.....	39,600	39,300	40,200
Real Property Transfer Tax.....	6,200	6,400	6,400
Large Corporation Capital Tax.....	26,300	31,200	14,000
Financial Corporation Capital Tax.....	<u>10,000</u>	<u>7,000</u>	<u>7,000</u>
Sub-total: Taxes.....	<u>3,154,665</u>	<u>3,201,060</u>	<u>3,228,565</u>
Return on Investment.....	189,742	277,791	251,738
Licenses and Permits.....	100,565	100,999	101,256
Sale of Goods and Services.....	209,096	223,836	232,423
Royalties.....	65,176	66,676	70,950
Lottery Revenues.....	116,125	118,125	118,375
Fines and Penalties.....	7,183	8,172	7,943
Miscellaneous.....	<u>25,473</u>	<u>27,402</u>	<u>26,748</u>
TOTAL: OWN SOURCE REVENUE.....	<u>3,868,025</u>	<u>4,024,061</u>	<u>4,037,998</u>
Unconditional Grants – Canada			
Fiscal Equalization Payments.....	1,435,200	1,476,500	1,583,800
Canada Health Transfer.....	513,900	517,400	532,500
Canada Social Transfer.....	217,500	219,700	238,000
Other.....	<u>1,938</u>	<u>1,938</u>	<u>1,938</u>
Sub-total: Unconditional Grants – Canada.....	<u>2,168,538</u>	<u>2,215,538</u>	<u>2,356,238</u>
Conditional Grants – Canada.....	256,253	277,614	277,386
TOTAL: GRANTS FROM CANADA.....	<u>2,424,791</u>	<u>2,493,152</u>	<u>2,633,624</u>
TOTAL: GROSS ORDINARY REVENUE.....	<u>6,292,816</u>	<u>6,517,213</u>	<u>6,671,622</u>

TOTAL EXPENSE
2008-2009
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCY ACCOUNT (NET)</u>	<u>TOTAL</u>
Agriculture and Aquaculture	35,595	400	0	0	35,995
Business New Brunswick	52,304	0	0	0	52,304
Education	941,630	0	12,991	0	954,621
Energy	3,285	0	0	0	3,285
Energy Efficiency and Conservation Agency of New Brunswick	12,688	0	0	0	12,688
Environment	13,872	0	8,500	0	22,372
Executive Council Office	5,669	0	0	0	5,669
Finance	12,793	0	56	0	12,849
Fisheries	3,871	0	0	0	3,871
General Government	581,576	0	0	0	581,576
Health	2,197,735	0	1,330	0	2,199,065
Intergovernmental Affairs	5,025	0	0	0	5,025
Justice and Consumer Affairs	40,017	0	449	0	40,466
Legislative Assembly	23,535	0	0	0	23,535
Local Government	113,957	0	0	0	113,957
Maritime Provinces Higher Education Commission	120,465	0	0	0	120,465
Natural Resources	84,112	1,200	2,744	0	88,056
Office of the Attorney General	14,785	0	0	0	14,785
Office of the Comptroller	4,656	0	0	0	4,656
Office of Human Resources	5,838	0	0	0	5,838
Office of the Premier	1,720	0	0	0	1,720
Post-Secondary Education, Training and Labour	276,953	0	2,223	28,174	307,350
Public Safety	116,594	0	7,281	6,498	130,373
Regional Development Corporation	51,763	16,500	0	90,789	159,052
Service of the Public Debt	597,021	0	0	0	597,021
Social Development	910,425	0	14,500	0	924,925
Supply and Services	109,138	11,532	1,629	0	122,299
Tourism and Parks	31,526	2,128	55	2,569	36,278
Transportation	178,881	49,400	0	(12,532)	215,749
Wellness, Culture and Sport	18,097	0	1,874	0	19,971
Sub-total	6,565,526	81,160	53,632	115,498	6,815,816
Amortization of Tangible Capital Assets					<u>269,507</u>
TOTAL EXPENSE					<u>7,085,323</u>

FISCAL RESPONSIBILITY AND BALANCED BUDGET ACT

Millions

\$

2007-2008 to 2010-2011 Fiscal Period

	<u>Year Ending March 31</u>	
	2008 Revised	2009 Estimate
Total Revenue.....	6,919.0	7,104.4
Add: Required changes under the Act.....	<u>0.0</u>	<u>0.0</u>
Adjusted Revenue.....	6,919.0	7,104.4
Total Expense.....	<u>6,901.0</u>	<u>7,085.3</u>
Adjusted Surplus (Deficit) for the Year.....	18.0	19.0
Cumulative Difference - Beginning of Year.....	<u>0.0</u>	<u>18.0</u>
Cumulative Difference - End of Year.....	<u><u>18.0</u></u>	<u><u>37.0</u></u>

	<u>Year Ending March 31</u>		
	2007	2008	2009
Net Debt.....	<u>6,577.9</u>	<u>6,976.0</u>	<u>7,094.3</u>
GDP (31 December).....	<u>25,221</u>	<u>26,639</u>	<u>27,704</u>
Ratio of Net Debt to GDP.....	<u>26.1%</u>	<u>26.2%</u>	<u>25.6%</u>

Note: Columns may not add due to rounding

NEW BRUNSWICK ROAD IMPROVEMENT FUND

Thousands

\$

	<u>Year Ending March 31</u>		
	2008	2008	2009
	Estimate	Revised	Estimate
Revenue			
Gasoline and Motive Fuel Tax.....	191,200	199,000	199,000
Expenditures			
Department of Transportation			
Capital Account.....	717,350	720,368	325,830
Ordinary Account.....	<u>170,721</u>	<u>184,421</u>	<u>178,841</u>
Total Expenditures.....	888,071	904,789	504,671
Net Expenditures	696,871	705,789	305,671
Source of Funding for Net Expenditures			
Federal Capital Revenues.....	155,839	151,769	23,850
Provincial Contribution from Consolidated Fund.....	<u>541,032</u>	<u>554,020</u>	<u>281,821</u>
TOTAL	<u>696,871</u>	<u>705,789</u>	<u>305,671</u>

Note:

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

COMPARATIVE STATEMENT OF SURPLUS OR DEFICIT
Thousands
\$

	<u>Year Ending March 31</u>		
BUDGETARY ACCOUNTS	2008	2008	2009
	Estimate	Revised	Estimate
Ordinary Account:			
Revenues.....	6,292,816	6,517,213	6,671,622
Expenditures.....	<u>6,190,118</u>	<u>6,422,928</u>	<u>6,565,526</u>
Surplus (Deficit).....	102,698	94,285	106,096
Capital Account:			
Revenues.....	160,129	154,413	26,784
Expenditures.....	<u>855,684</u>	<u>874,502</u>	<u>485,967</u>
Surplus (Deficit).....	(695,555)	(720,089)	(459,183)
Special Purpose Account:			
Revenues.....	49,196	56,774	52,198
Expenditures.....	<u>51,367</u>	<u>55,690</u>	<u>53,632</u>
Surplus (Deficit).....	(2,171)	1,084	(1,434)
Special Operating Agency Account (net):			
Revenues.....	81,865	87,926	126,950
Expenditures.....	<u>70,317</u>	<u>91,711</u>	<u>115,498</u>
Surplus (Deficit).....	11,548	(3,785)	11,452
Sinking Fund Earnings	227,500	230,400	224,800
Gross Consolidated Revenue	6,811,506	7,046,726	7,102,354
Add: Amortization of Deferred Capital Contributions.....	25,477	25,477	28,666
Less: Revenue Received to Acquire Tangible Capital Assets.....	<u>(159,889)</u>	<u>(153,220)</u>	<u>(26,669)</u>
Total Revenue	6,677,094	6,918,983	7,104,351
Gross Consolidated Expenditure	7,167,486	7,444,831	7,220,623
Add: Amortization Expense.....	250,351	250,870	269,507
Less: Investment in Tangible Capital Assets.....	<u>(777,840)</u>	<u>(794,683)</u>	<u>(404,807)</u>
Total Expense	6,639,997	6,901,018	7,085,323
Surplus (Deficit)	<u>37,097</u>	<u>17,965</u>	<u>19,028</u>