



BUDGET 2002-2003

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CHOOSING PROSPERITY: A BALANCED APPROACH



New  Nouveau
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C A N A D A

Budget Highlights 2002-2003

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2002-2003 Budget

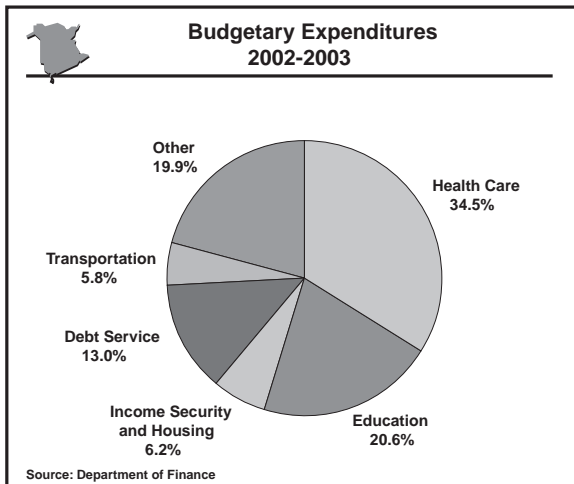
Choosing Prosperity: A Balanced Approach

The initiatives we are setting out in the 2002-2003 Budget 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.

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**
- a record high investment for **education and children** of **\$1.09 billion**
- **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**

With this 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.



The Economic Outlook

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

- Department of Finance estimates **0.6% real GDP growth for New Brunswick in 2001**
- **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
- **total employment** across the province is **at a record high level**
- **private sector consensus** is for **1.3% real growth in 2002**; Department of Finance estimate is **1.2%**

Fiscal Update 2001-2002

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.

Our approach in exercising fiscal discipline and managing smarter is focused on these guiding principles:

- **identify** and **invest** in priority areas such as **health care, education** and **jobs**, while tightly managing expenditures in other areas
- **plan** cautiously and prudently to allow for fluctuations in revenue and expenditures
- **ensure flexibility** to respond to urgent needs and events
- **use the Fiscal Stabilization Fund carefully**

The result is:

- a **budgetary surplus** of **\$37 million** for **2001-2002**, which slightly exceeds the original budget target.

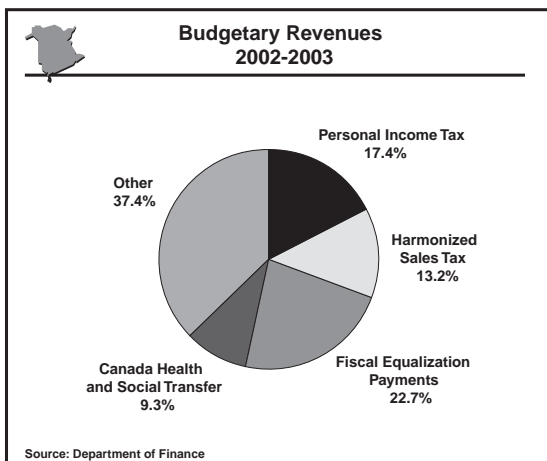
Higher revenues, coupled with savings in several departments, have enabled additional expenditures in certain priority areas:

- 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**
- a **\$70 million** transfer to the **Fiscal Stabilization Fund**

Fiscal Outlook 2002-2003

This budget is another example that strong fiscal discipline remains a hallmark of this government:

- Province is projecting a **surplus of \$21.3 million** for the **2002-2003 fiscal year**
- **third consecutive balanced budget** delivered by this government
- overall **expenditure growth** has been, and will continue to be, **tightly managed**
- **revenue projections improved** over the course of the past few months
- **budgetary revenues** for 2002-2003 forecast at **\$5.288 billion**, representing growth of 2.6% from 2001-2002
- **budgetary spending** is estimated at **\$5.267 billion**, a growth rate of 3.0% from 2001-2002
- **88% of additional ordinary account program spending is on health and education**



This budget reflects the balanced approach this government has taken to invest strategically in clear public priorities, while tightly managing the growth of other expenditures. The choices made in balancing the budget were not taken lightly. By managing smarter, however, the budget has been balanced.

Capital Spending

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

Capital budget highlights include investments in these key priority areas:

- **\$34 million** for **education**
- **\$11.5 million** for **health**
- **\$10.6 million** for **“green” infrastructure**
- **\$168.1 million** for **transportation**, an **increase of 36%** from 2001-2002

Investing in Health Care and Seniors

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

- **an additional 15 medical school seats** annually for New Brunswick students
- 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**
- **twice** the number of **magnetic resonance imaging (MRI) units** in the province

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 2001-2002 revised spending levels and equates to a **budget-over-budget increase of \$120 million for health care**.

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

- **\$819.1 million** for **Hospital Services**
- a total of **\$309.8 million** for **Medicare**
- **long-term care** funding of **\$278.0 million**
- **\$102.5 million** for the **Prescription Drug Program**
- **\$10.0 million** increase for **nursing home operations and employees**
- **\$1.00 per hour increase** over the next three years, beginning with a **50 cent increase this year towards homemakers' wages -- an additional \$1.6 million** for homemakers this budget year
- **Low-Income Seniors' Benefit** program to continue -- estimated cost of **\$3.2 million**
- **\$4.5 million** for **health care renewal initiatives**

Investing in Education and Children

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**.

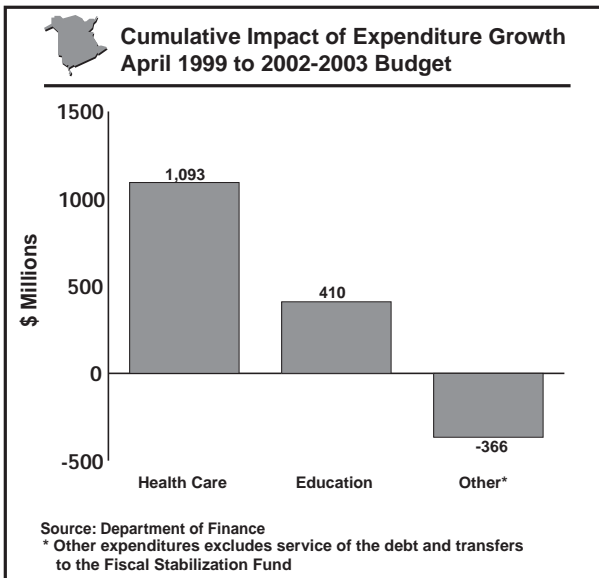
This has allowed us to make the following key investments in education:

- **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
- **\$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. 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.

Today's budget provides for:

- additional **\$36.6 million** in funding for **Kindergarten to Grade 12**, including a negotiated wage increase for teachers
- **\$4.9 million** increase in **university grants**, the third consecutive year in which funding for universities has been increased
- additional **\$1.4 million** to enhance access to post-secondary education
- **early childhood development** funding will increase by **\$2.4 million**



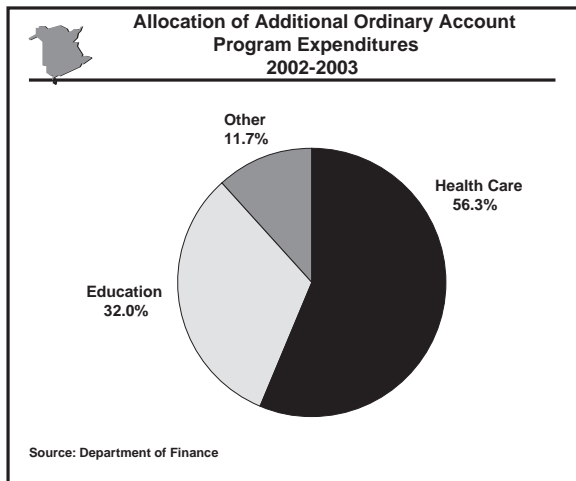
Focusing on New Brunswick Priorities

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
- a **Hazardous Materials Emergency Response Program**
- operation of a **Level 3 Laboratory** to deal with bio-terrorism
- **security enhancements** in provincial facilities

Other 2002-2003 spending priorities include:

- **an additional \$1.5 million** in funding in order to hire **additional staff** to ensure the continued, **efficient administration of justice**
- **\$10 million** for the continuation of the **Total Development Fund**
- **\$3 million** for the **Community Economic Development Fund**
- **\$2.8 million** over three years to **enhance arts and heritage**; **\$1.2 million** more this year is allotted as the first phase in the implementation of the new cultural policy



Greater Opportunity: New Brunswick's Prosperity Plan

A prosperous growing economy is at the heart of our objective to bring greater opportunity to New Brunswickers in all regions of 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.

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.

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.

Investments in innovation and universities include:

- creation of the **New Brunswick Innovation Foundation** with an initial fund of **\$20 million**
- a one-time investment of **\$15 million** for a special **University Infrastructure Trust**

Competitive Taxes for Jobs and Growth

Competitive taxes are also a cornerstone of the prosperity plan. 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.

This government is making significant reductions from the taxation levels in place in June 1999. These measures include:

- 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 more than 40,000 low-income New Brunswickers from the tax rolls** by the **2003** taxation year
- **reduce personal income taxes by 10.7% in just three years**, one year earlier than the promised 10% reduction
- **provide New Brunswick taxpayers and businesses some \$287 million in cumulative personal and corporate income tax reductions** since our first budget

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