

**FACING our CHALLENGES
TOGETHER**

2015-2016 Budget

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Minister of Finance**



Budget 2015-2016

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Introduction

We are all in this together. If ever there was an appropriate time for such a phrase, it certainly is now.

Mr. Speaker, I am pleased to rise in the House today to table our government's first budget, one that will move New Brunswick forward – a budget that will set us on the path towards job creation, towards increased revenues and towards financial sustainability.

Over the last several years New Brunswick has faced many challenges. Weak economic growth, a declining and aging population, persistent job losses and rising government debt have combined to put a great deal of strain on New Brunswickers. Despite previous efforts to restore balance to our finances, we still find ourselves in an unsustainable fiscal situation – a situation that if not remedied will eventually affect our ability to pay for the essential services New Brunswickers expect and deserve.

It would be easy to avoid making difficult decisions and leave the problems we face to the next generation. We are not going to do that. Our government was elected to lead and this means making difficult and sometimes even unpopular decisions.

New Brunswickers understand what it means to make difficult decisions. Think about the parent who commutes to another province for work or has taken a second job. Would that parent prefer to spend more time at home? Absolutely, but parents understand that they make sacrifices to build a better future for their children.

Since taking office we have moved quickly to take the steps necessary to move New Brunswick forward. Today's budget is the next step in this direction and we know that there will be many more difficult decisions to be made.

New Brunswickers understand that by getting our fiscal situation under control we can spend less on servicing the debt and stop imposing difficult cuts. More importantly, these steps will allow us to invest more in priority areas like growing the economy, creating jobs and providing the services that make life easier.

We understand that there will be New Brunswickers who will disagree and challenge some of the decisions we are making, but we are showing the leadership required to lead to a brighter, more sustainable future for New Brunswickers.

Economic and Fiscal Update and Outlook

Mr. Speaker, we are in the midst of challenging times. Many countries continue to struggle economically. Efforts to stimulate growth have not achieved their desired effect and global economic growth remains below its potential.

Many governments, both in Canada and abroad, continue to struggle to balance their books and face an uncertain future unless difficult decisions to address their fiscal situations are made. That said, restoring order to our finances while growing the economy is a delicate balance. Most recently, we saw Alberta introduce difficult measures to address their deficit situation. Ontario and Nova Scotia are facing similar challenges as us and will be outlining their plans in the days to come.

Although there are signs of better days ahead, these are the conditions we find ourselves in.

Mr. Speaker, I would now like to provide an economic update for 2014 and outline our expectations for 2015.

According to the International Monetary Fund (IMF), the pace of global economic growth in 2014 maintained the level set in 2013, with improvement among the advanced economies offsetting slower growth among emerging and developing economies. Canadian growth improved in 2014 with Alberta and British Columbia continuing as provincial growth leaders.

Here in New Brunswick our economy showed signs of improvement over the course of the year. However, economic indicators showed mixed results. The Department of Finance estimates real economic growth of 0.8 per cent in 2014 as improved levels of investment and retail sales helped offset declines in employment and exports.

Turning to 2015, the IMF reports global output is set to expand by 3.8 per cent. The U.S. economy is expected to grow by 3.1 per cent in 2015, which represents the highest level of growth in a decade. Growth in the euro area is expected to increase modestly.

According to the Bank of Canada, the Canadian economy is set to grow by 2.1 per cent in 2015. The decline in oil prices is expected to have a negative impact on the Canadian economy. Oil-producing provinces are expected to see declines in investment, while non-energy rich provinces – including New Brunswick – are expected to benefit from a stronger U.S. economy and lower energy costs.

In New Brunswick, the Department of Finance anticipates real GDP growth of 1.8 per cent in 2015, an improvement over the performance seen in recent years and consistent with the current consensus among private sector forecasters.

Following several years of weakness in investment, a stronger domestic economy in 2015 will be supported by an improvement in investment activity, led by government and private sector investment.

The manufacturing sector should benefit from forestry investments, lower energy prices and a more favourable exchange rate.

Employment in 2015 is expected to receive a boost from public and private investment, as well as a ramp-up in zinc and potash production at the Caribou and Picadilly mines respectively.

Looking ahead to 2016, strength in the U.S. and central Canada should enhance New Brunswick's trade prospects. This will be supplemented by sustained levels of government and private sector investments.

The proposed Sisson mine and Energy East Pipeline both represent significant upside potential over the medium-term should they receive the necessary regulatory approvals. An endorsement of either would result in considerable investment at the development and construction phases, and contribute significantly to New Brunswick's growth prospects. Growth could be further sustained over the longer-term should projects like the Canaport LNG export terminal or the fertilizer plant in Saint John proceed.

Mr. Speaker, with this economic context in mind, I would now like to provide an update of our current fiscal situation and outline our fiscal plan for 2015-2016.

In February, I released an update of our 2014-2015 fiscal position. At that time we showed an improved deficit of \$255.4 million, largely as a result of unexpected one-time revenue. Although this is good news, it does not change the fact that we remain in a serious deficit position.

A structural deficit in the order of \$400 million exists. We recognize that much more work needs to be done to improve our financial situation and today's budget is designed to put us on the path towards sustainable budgets.

For the upcoming fiscal year we are projecting a deficit of \$476.8 million. This is higher than the 2014-2015 projected deficit due largely to one-time revenues in 2014-2015 that will not recur, and includes a \$150 million contingency reserve in 2015-2016 that will protect the province against unforeseen circumstances.

Mr. Speaker, we want to be clear that the main purpose of this contingency reserve is to protect against potential revenue weakness. It is common to see unexpected changes in our revenue numbers. We saw it in our most recent fiscal update. This time we benefited, but as recently as 2013-2014 we saw a negative swing in our revenue in excess of \$200 million from budget.

By introducing a contingency reserve, we are demonstrating prudence in our budgeting given the number of factors beyond our control that affect our

economy and revenues. It is not a license to spend. If this reserve is not required, the deficit will be \$326.8 million.

An improving economy combined with a number of new measures will result in revenues reaching \$8.308 billion in 2015-2016, a 0.6 per cent increase over revised 2014-2015 estimates.

We are early in our mandate and although a more detailed plan is being developed through the Strategic Program Review, we are taking steps today to control growth in spending. Expense growth will remain modest, increasing by only 1.5 per cent over revised 2014-2015 estimates and representing an increase of just \$125 million.

Today's expenditure plan represents the starting point in our plan to return to balanced budgets. We are not waiting for the Strategic Program Review to provide all of the answers. We have identified a number of spending reductions in several areas that can be acted upon today. However, we are not making broad-based cuts. Rather, we are striking a balance between revenue measures, spending reductions and investments in priority areas that will grow the economy and create jobs.

Principles Guiding this Budget

This is the context within which we find ourselves. It is clear that action must be taken but it must not be reckless action. It needs to be strategic and thoughtful. It must also be guided by certain principles.

We understand, for example, that not all New Brunswickers have the same financial capacity to help us get our fiscal house in order. That is why we are asking those with the greatest ability to pay to contribute more to fixing our fiscal situation. We campaigned on the principle of fairness last September and it is well reflected in this budget.

New Brunswickers understand that we have difficult decisions to make, but they expect us to make decisions in a fair and compassionate manner that ensures that those with the greatest ability to pay contribute to fixing our fiscal situation, while also minimizing the impacts on our most vulnerable.

Mr. Speaker, the principle of transparency guides this document. We will continue to increase the overall accountability of government by increasing transparency. In many cases, this has already been done in recent months. A number of similar initiatives will flow from this budget.

We must also ensure that every dollar government spends is used as efficiently as possible, and that we wipe out any waste in our system. We have done our best in this budget to ensure a maximum return on investment for the dollars government spends. This work will continue over the next year as the Strategic

Program Review develops a mechanism to ensure greater accountability for the investments that government makes.

And while on the topic of the Strategic Program Review, a final principle guiding this budget is that of public engagement.

To start down the path towards fiscal balance, we launched the Strategic Program Review last January and we are very impressed with the level of interest and engagement that New Brunswickers have shown. We consulted extensively across the province and over 9,000 ideas were submitted online, by email or mail. Additionally, over 1,200 people attended our public dialogue sessions. It is clear from the volume and diversity of viewpoints that New Brunswickers want to be part of the solution.

I would like to thank those New Brunswickers who took the time to contribute their ideas to this process. Their input will play an important role in developing the plan to get us back to fiscal balance. There remains a lot of work to be done and many difficult decisions ahead. However, I can assure you that we will continue to engage New Brunswickers throughout this process and their influence will be very much seen when we deliver the 2016-2017 Budget.

The voice of the people is well reflected in this budget. Over the past six months, the Premier, my colleagues and I have met extensively with New Brunswickers from all walks of life and all regions of the province and they are well aware of the challenges we face as a province. They are also engaged in identifying solutions to the problems we face.

We are all in this together. Certain groups or individuals must not bear a more disproportionate burden than others. We will strive to ensure that everyone participates in the transformation to come – cities and villages, north and south and, contrary to past practice, politicians from both sides of the legislature.

With this level of involvement, we are truly facing our challenges together. Doing so will allow us to focus on the priorities we first laid out during the last election campaign. That is, creating jobs, getting our fiscal house in order and investing in key programs and services like healthcare and education.

Expenditure Measures

Mr. Speaker, we are committed to returning balance to our finances. New Brunswickers expect this. We recognize that some of the decisions we have taken in this budget will not be popular, but they are necessary. By taking these steps, we are working towards creating an environment where New Brunswickers can find work at home and have the supports necessary to make life easier.

In order to achieve this we need to restore the balance between our revenues and expenditures.

Some of this work has already begun.

Since forming government last fall, we have taken steps to improve our fiscal situation. This started on day one when our Premier named the smallest cabinet since the Honourable Louis J. Robichaud. The Premier and my cabinet colleagues have also taken paycuts that will stay in place until we balance the province's books. I recognize that having fewer cabinet ministers and paying them less is not going to balance the budget, but it is an important symbol – one that recognizes the situation we find ourselves in, the difficult choices we have to make and the leadership our government is willing to demonstrate to move New Brunswick forward.

The civil service and legislative officers are doing their part too. Travel budgets have been reduced, fewer employees have access to government vehicles and, moving forward, government will adopt a phased approach towards eliminating free parking for government employees in our urban centres across the province. This will encourage the use of our municipal transit systems and carpooling, which will benefit both the environment and the bottom line of the municipalities and the province.

We have also generated significant administrative savings by eliminating the Department of Healthy and Inclusive Communities, Efficiency New Brunswick and the Energy Institute.

A number of government departments have reduced their budgets or managed to significantly curtail growth. The Department of Health is a good example of this as they are holding the line at almost zero per cent budget growth in 2015-2016, well below the 8.0 per cent growth we saw less than a decade ago. Officers of the Legislature, who have requested increases in their budgets in 2015-2016 have been asked to do their part as well by sticking to their current funding levels.

Mr. Speaker, we are not waiting for the Strategic Program Review to be fully completed before moving ahead on certain important initiatives.

For too long we have seen overlap, duplication and waste in certain common services across government as departments worked in silos under a multitude of leadership structures and offered varying levels of services.

We have already made significant changes in how we deliver communications services across government and are working on a new delivery model for financial, human resources, information technology and supply chain services. By bringing these services under one organization, we will be able to establish centres of excellence that provide a standard, consistent level of service throughout the province while generating real financial savings that will contribute to balancing the budget.

Mr. Speaker, undertaking transformational change and getting our fiscal house in order will take time but we cannot afford to wait for our Strategic Program Review to provide all of the answers. There are a number of areas where savings can be found today and it makes sense to move forward sooner rather than later.

A key challenge of our demographic shift is that we are seeing growth in our seniors population and declines in our youth. Since the year 2000, the number of K-12 students in New Brunswick has dropped by more than 20 per cent, while the number of teachers has gone up. With now less than 100,000 children attending our schools, we need to ensure that our staffing levels reflect this new reality. This is why we will be eliminating 249 teaching positions, representing approximately three per cent of the workforce across the province. With an average of 200 teachers retiring every year, we will achieve as much of this reduction as possible through attrition.

We are committed to working closely with those who are not retiring to help them find work elsewhere, including potentially within government. A special task force, led by the Department of Education and Early Childhood Development and the Department of Human Resources, will work closely with those affected to transition and those trying to enter the education system in helping them plan for their career.

The issue of declining enrolment in our schools is having a serious impact on infrastructure as well. District Education Councils across the province have undertaken school sustainability studies in order to make maximum use of our limited financial resources while also improving the quality of education for our students. They know, like we do, that finding available efficiencies in our infrastructure will result in more funds being available for classroom learning. We will support the District Education Councils as they pursue this important work, including introducing a change to Policy 409 that will bring consistency and fairness to the process that is used to assess the sustainability of schools.

At this time, I want to assure New Brunswickers that there still is a 3.1 per cent increase in the budget for the Department of Education and Early Childhood Development in 2015-2016. We are investing strategically for maximum benefit over the long-term. Starting later this year, these strategic investments will be guided by new, comprehensive plans for both education and literacy.

Mr. Speaker, our government believes that we can provide a quality post-secondary education at an affordable price. We are preparing our students by providing them with the tools to be competitive in the workplace through effective competency and skills development. However, our post-secondary institutions must be focused and efficient in delivering these important services. At the post-secondary level we are freezing our contributions to universities and community colleges.

We have asked New Brunswickers, who can afford to do so, to contribute to fixing our fiscal situation. This requirement does not begin and end with our richest working-age residents. We also need the group of seniors who can afford it to pay a little more for long-term care. Currently, you could be wealthy or from an upper-income family and your care is subsidized by government to the same degree as a senior with far fewer means. We must find a fairer and more progressive way to calculate the amount that a senior pays for his or her nursing home care.

We are removing the maximum daily amount a senior pays for nursing home care. The average true cost of nursing home care is approximately \$233 per day, well above the current cap of \$113 per day. By removing this cap, we will ensure that the wealthier clients who can afford it contribute a little more towards their care. Furthermore, we will also continue to subsidize the cost of care for those who truly need it.

We want our province's seniors to be able to stay in their own homes as long as they can and we will provide supports for seniors and their caregivers to do so. At the same time, we recognize that they have worked hard their whole lives and understand the principle of fairness. That is why we will continue to exempt the family home from the assessment of a senior's ability to pay for long-term care, but we will no longer exempt liquid financial assets such as savings or investments. The Department of Social Development will be reviewing and consulting on this policy before it is introduced this fall.

Part of managing smarter is ensuring that fees and premiums keep pace with the cost of providing a program or service. For example, the seniors who use the Medavie Blue Cross Seniors Prescription Drug Program have not seen a premium increase since 2009. In order to ensure that the plan is no longer in a deficit position and meets its original objective of providing drug coverage to New Brunswick seniors on a full cost-recovery basis, premiums will be increased. It is important to note, however, that drugs for low-income seniors will continue to be subsidized through a separate plan.

Although we are asking some seniors with greater means to pay more for their prescriptions and long-term care, our first priority is, and will remain, providing supports that help seniors stay independent longer at a cost they can afford.

To help us achieve a sustainable healthcare system in the future, we are removing the waiver for ambulance fees for New Brunswickers who do not have private insurance coverage. Non-urgent use of the ambulance service continues to be an issue; therefore, fees for New Brunswickers who do not have insurance will no longer be waived for ambulance use. This does not change the current practice of waiving fees when individuals require financial assistance. Removing the ambulance waiver will assist in offsetting the cost of delivering this uninsured service as well as deter inappropriate use so ambulances are available for emergency calls.

Mr. Speaker, Service New Brunswick acts as the chief provider of over 300 front-line services to New Brunswickers. Through technology improvements, services can be accessed in person, online or through our call centre. By providing a variety of access points the need for traditional bricks and mortar operations is lessened. This is why we are closing some Service New Brunswick outlets in various regions of the province. We will be closing centres in Saint-Quentin, Saint-Léonard, Port Elgin, Hopewell Cape, Gagetown and McAdam, and we will also be consolidating our operations in Miramichi. Our 32 remaining centres still outnumber the 20 that Nova Scotia uses for a larger population.

We understand that some communities may not be happy with this decision, but New Brunswickers can rest assured that there will remain a number of options in which to access the services they need.

Mr. Speaker, with the opening of the Saint John Law Courts in 2013, we now have a number of facilities that are no longer critical to the proper functioning of our justice system. As part of the plan in building the Saint John Law Courts, we will be closing the following courthouses: St. Stephen, Sussex and Grand Manan and we will merge their operations with the Saint John Law Courts. In addition, we will also be closing the Grand Falls court and merge it with the Edmundston facility.

Government is committed to moving New Brunswick forward through an effective management system that uses SMART methodology to set goals and measure success. Objectives will be specific, measurable and achievable with improvement targets and initiatives that are aligned around the priorities on which we were elected. That is job growth, getting our fiscal house in order and making New Brunswick the best place to raise a family.

We will continue to drive efficiencies and reduce waste by taking a data and evidence-driven approach and by using proven techniques such as Lean Six Sigma to better deliver services to New Brunswickers. Since October, I am pleased to note that process improvements through Lean Six Sigma have resulted in over \$6 million in savings.

Mr. Speaker, we also want to ensure that we are using government's limited resources efficiently and to their maximum benefit. To this end, we are committed to reviewing the way in which we organize and fund our province's various agencies, boards and commissions. Many of these bodies conduct important work in New Brunswick and provide funding for valuable projects and initiatives. But we need to develop greater consistency in the way these bodies are organized and the way in which they measure their own impact.

The practice of funding initiatives that we cannot evaluate must end. We will develop a better and more efficient structure for agencies, boards and commissions in New Brunswick, one that reduces their overall number, one that

reduces the number of people who serve on them, and one that limits the overall amount of money spent.

Mr. Speaker, as the largest employer in New Brunswick, with approximately 45,500 employees, the New Brunswick Public Service contributes directly to each and every citizen's quality of life and to our province's economic prosperity.

The New Brunswick Public Service is made up of a variety of people from across the province. They have different backgrounds, perform different jobs and are some of the most dedicated people I have ever met. They are committed to providing the residents of our wonderful province with the services and programs they need, and each and every public servant is working hard to reduce costs and improve the quality and sustainability of programs and services.

With annual expenditures in the range of \$2.4 billion, public sector wages represent a significant portion of provincial spending. For this reason, we are targeting a reduction to the public service primarily through retirement and attrition. Staffing levels, however, will consider service delivery to the public; will reflect the service levels that the public has come to expect; and will be adjusted further as recommendations from the Strategic Program Review are implemented.

We will also work with all stakeholders in an effort to increase employee health and well-being and to reduce the total cost of absenteeism. Much progress has been made in recent years in this area and we intend to continue to build on these efforts.

Mr. Speaker, our government will also be eliminating the New Brunswick Tuition Rebate. With limited resources at our disposal, we feel that there are better ways to support students who need it most. The New Brunswick Tuition Rebate helped only those students who have already graduated and are collecting salaries. It did nothing to help needy students enter the system in the first place.

As part of the Strategic Program Review, government is considering the possibility of the monetization of assets where there may be opportunities for the province to benefit from a one-time payment, to increase revenue or reduce operating expenditure through restructuring, sale or public-private partnership. Government will only proceed where the outcome makes sense for New Brunswick, both today and into the future; and ultimately, the province must be in a better financial position as a result. A significant portion of this work will be completed in the coming year in preparation for the 2016-2017 fiscal year. The Strategic Program Review will look at everything from buildings and facilities to Crown corporations. Provincial golf courses, like the one in Mactaquac, are also on the table. If the right opportunity arises, government might seek to monetize some of these assets sooner, ahead of the Strategic Program Review.

Growing our Revenues

Mr. Speaker, we do not intend to restore balance to our finances by exclusively cutting expenditures. We recognize that our revenues also have to play a role as well. It is a challenge, however, to balance growing our revenues through changes in the tax system while maintaining a system that is competitive and supports economic growth. The primary focus of the revenue measures we are introducing today remains on ensuring that everyone pays their fair share.

This is why we are creating two new tax brackets that will see the richest New Brunswickers contribute more during these difficult times. This fulfills the government commitment to increase the personal income tax rates on the wealthiest one per cent of New Brunswickers. New Brunswickers with taxable incomes between \$150,000 and \$250,000 will see their top rate of tax increase from 17.84 per cent to 21.00 per cent. New Brunswickers with taxable incomes greater than \$250,000, those with the greatest ability to contribute, will see their top tax rate increase from 17.84 per cent to 25.75 per cent. Changes will be made to the *New Brunswick Income Tax Act* effective January 1, 2015. These personal income tax changes are estimated to raise an additional \$30 million annually.

Given the relatively low cost of living in the Maritimes, coupled with a quality of life that surpasses many other jurisdictions, our government feels that asking our one per cent richest citizens to contribute more is reasonable, fair and progressive. It is even more so when considering those who are at the very top of the one per cent bracket, the super-rich whose extra contributions will help us turn our financial situation around.

The New Brunswick Dividend Tax Credit structure will also be modified with today's budget. The tax credit on dividends received from small business on or after January 1, 2015 will be decreased from 5.3 per cent to 4.0 per cent to match the new small business corporate income tax rate. This change will help ensure the appropriate tax treatment of dividend income.

Strategic investment in infrastructure and maintaining an efficient and safe transportation network remain important priorities for our government. The cost to maintain our roads and bridges is significant and it is important that road users make a fair contribution to these costs.

Given the significant decline in global oil prices, we have seen gasoline prices fall by approximately 30 cents per litre over the past year. With prices expected to remain low for an extended period, there is room to increase gasoline and diesel taxes while having a limited impact on the New Brunswick economy.

Effective midnight tonight, fuel taxes will increase on gasoline by 1.9 cents/litre and by 2.3 cents/litre on diesel fuel. This is estimated to provide government with an additional \$28.2 million annually. This means that the

combined federal and provincial gasoline and motive fuel tax rates will be 25.5 cents/litre. In addition, New Brunswick will now have the same gasoline tax rate as Nova Scotia and will remain lower than Quebec and Newfoundland and Labrador.

As part of the implementation of these fuel tax increases, all retailers will be required to take an inventory count of all their gasoline and motive fuel (diesel) products as of midnight tonight, as they will be required to remit the difference in tax on their inventory. In the next few days, retailers and wholesalers will receive more information concerning their responsibilities associated with implementing these rate increases.

Under its new usage policy, Larry's Gulch will be leveraged for economic development purposes more than ever before. A more stringent approach to the use of this facility will also free up valuable weeks that can result in additional revenues for the province.

Mr. Speaker, we are also currently undertaking a review of the *Right to Information and Protection of Privacy Act* and look forward to seeing its recommendations that may include a reinstatement of fees.

Creating Jobs and Growing our Economy

Mr. Speaker, the measures we are announcing today are necessary. If we are to enhance our capacity to create jobs and provide important services like healthcare and education, we must get our financial situation under control.

When it comes to economic growth, our province cannot afford the status quo any longer. For too many years, we have seen a disappointing economic performance, so we are changing the way we do economic development by combining the best business expertise from the private and public sectors.

For instance, we must focus on developing a skilled workforce. Recently, New Brunswick's youth were invited to apply to be matched with an employer through the new Youth Employment Fund. The fund is designed to create the province's most job-ready generation and will help 1,500 young New Brunswickers each year obtain work experience and training.

The Youth Employment Fund is a shift in the way youth can gain skills that lead to permanent employment here at home. Through the Youth Employment Fund, we will close workforce gaps among our youth and by building a skilled workforce businesses will be in a position to effectively establish, operate and grow in our province.

We will also contribute to developing a more skilled workforce through the following measures. Our government will eliminate the parental contribution

criteria that prevented many students from accessing loans for their education. We will also be imposing a tuition freeze on public universities in New Brunswick.

In combination with the development of a 10-year education plan, an increased focus will be put on improving literacy rates in our province. By dedicating resources to address literacy and improve education outcomes, we will provide New Brunswick businesses with a skilled pool of workers that can help our province grow and prosper.

One of the best ways to improve the quality of life of those in need is to improve the status of women in New Brunswick. In his State of the Province address, the Premier noted the importance of appointing more women to positions of influence. This is exactly what we will do. Recognizing the important contribution women make in our province, I am pleased to note that we will also be providing \$418,000 to fully restore an independent forum to undertake research and speak on behalf of women in New Brunswick. At this time, I also want to reaffirm our campaign commitment of improving pay equity here in New Brunswick.

To make things easier for parents to work and care for their children, our government will increase the number of daycare spaces in the province over the course of our mandate. This starts by establishing a registry of daycare spaces. By improving the link between the supply and demand for daycare spaces, we will be able to better understand where the need is greatest and be able to target our investments where they will have the most impact.

Mr. Speaker, we have also moved quickly to support small businesses in our province. Competitive taxes for small businesses help our hard working entrepreneurs get ahead. By lowering the small business tax rate we are helping to lower costs, increase competitiveness and, ultimately, create an environment that supports job creation.

In our first days in office, we began the course to meeting our commitment to give our small businesses a competitive advantage by lowering the small business corporate income tax rate to 2.5 per cent, the lowest rate east of Manitoba. Effective January 1, 2015, the small business corporate income tax rate was lowered from 4.5 per cent to 4.0 per cent.

Providing additional access to capital must also be a priority of government.

Effective for investments made after March 31, 2015, the Small Business Investor Tax Credit rate for individuals will be increased from 30 per cent to 50 per cent. The enhancement announced today will increase the maximum tax credit from \$75,000 per year to \$125,000 per year for New Brunswick individuals who invest in eligible small businesses in the province. This measure will provide an estimated \$5 million in additional tax relief annually, while supporting our small businesses.

Our government will also be delivering on its commitment to provide tax breaks to allow seniors or their families to renovate their homes to stay independent longer. A New Brunswick Seniors' Home Renovation Tax Credit will be introduced, effective for the 2015 taxation year. Further details on this new tax credit will be made available in the coming weeks.

Making additional investments in the film sector and honouring our platform commitment to accelerate funding for the cultural sector in New Brunswick will also provide some much needed assistance to potential job creators in our province.

With its doors opening for business tomorrow, Opportunities New Brunswick will lead the way in job creation and economic growth in the province. Working closely with the Jobs Board and led by recently-hired private-sector expertise, Opportunities New Brunswick will be accountable, nimble and proactive as it aggressively pursues opportunities for economic development and shares the message that our province is ready to grow and diversify.

In addition to changing the status quo on economic development, our government has introduced the Strategic Infrastructure Initiative as part of this year's capital budget. This initiative was a key commitment in our election platform. Its purpose is to provide stimulus that will create jobs in the short-term and to begin building the strategic infrastructure that will help us create even more jobs in the long-term.

For those regions of the province that have seen their economies particularly hard hit in recent years, we have renewed the Northern New Brunswick and Miramichi Economic Development and Innovation Funds. The \$150 million to be spent over the next six years will support growth opportunities, adopt new and innovative technologies, improve strategic infrastructure and advance workforce development.

Finally, if business in New Brunswick is to succeed and thrive, the burden of red tape must be addressed. We are tackling this through the Jobs Board, through government's performance management system and by working with our regional partners such as Nova Scotia.

Conclusion

Mr. Speaker, I can assure New Brunswickers that the difficult decisions we make together will help move us away from the status quo and towards a brighter future. No one takes pleasure in cutting services or introducing new revenue measures. We are doing it because it is the right thing to do.

By taking steps today to get our fiscal house in order, we are putting the province on a path towards sustainable budgets, thereby creating an environment where

New Brunswickers can find jobs and access critical programs and services like healthcare and education.

Mr. Speaker, it has been a busy few months for our new government. Already much has been done to create jobs, get our finances under control, and to make life better and more affordable for our families. However, there is much work that remains to be done. So where do we go from here?

In the months ahead we will be taking a closer look at the findings of the Strategic Program Review. Close consideration will be given to what we do and how we do it. New Brunswickers can rest assured that we will continue to engage them along the way.

The results of this work will form the basis of our second budget. The thorough and detailed review of all of our programs and services will lead to further difficult decisions – decisions that may not be popular, but decisions that will put our fiscal house in order and put us in a position to invest in priority areas such as job creation, education and healthcare. Our overarching goal must be to ensure that government and taxpayers receive the maximum return on the investments they make.

The Strategic Program Review will be looking for savings in areas such as procurement, government structure, grants, infrastructure, education, health and seniors care. New Brunswickers also want us to consider revenue measures such as HST, income taxes, property taxes, tolls, user fees and asset sales to name a few. Some of these measures have already been included in this budget. Others will be further explored by the Strategic Program Review.

We encourage New Brunswickers to continue participating as fully as possible in this process. Please send us your ideas on how we can make the most of our very limited public resources.

In conclusion Mr. Speaker, it is clear that we can no longer continue with the status quo. It is incumbent upon us to rethink what we do and how we do it. For too many years we have seen governments incur deficits and increase our debt and pass the problem on to future generations. We are committed to fixing our fiscal problems.

In just six months we have taken a number of steps to move New Brunswick forward. We have identified and eliminated waste. But we haven't forgotten the needs of New Brunswickers. We have introduced measures that focus on the creation of much needed jobs and provide support to those New Brunswickers most in need.

Today's budget builds on the progress we have made since taking office, but we know that there is much more to do if we are to get our fiscal house in order. Our Strategic Program Review is well underway and it will form the foundation to

getting back to balance. But let me be clear, it means more difficult decisions have yet to be made.

New Brunswickers understand the need to make difficult decisions. Consider the parent who has to leave his or her family behind to work elsewhere or the family who struggles to pay the bills or the child of an elderly parent who struggles to provide proper care. They understand difficult choices.

The measures we have taken today and the ones we have yet to take have a purpose. By making these decisions and managing our finances responsibly, we are moving New Brunswick forward to a better tomorrow.

Consider the possibilities that getting our fiscal house in order represent. By returning to balanced budgets, we can spend less on servicing the debt. Spending even \$10 million less on interest on the debt means \$10 million more we can invest on important areas like growing the economy, creating jobs and providing the services that make life easier for New Brunswick families.

By getting our fiscal house in order we can move from cutting services to investing in important areas like healthcare and education.

It will take a sustained effort and the ongoing support and engagement of New Brunswick businesses and families from all regions to move our province forward.

It is clear to me based on the involvement and ideas that New Brunswickers have contributed so far that we truly are facing our challenges together.

Thank you, Mr. Speaker.

APPENDIX: SUMMARY BUDGET INFORMATION

COMPARATIVE STATEMENT OF SURPLUS OR DEFICIT

Thousands

\$

	Year Ending March 31		
	2015 Estimate	2015 Revised	2016 Estimate
Revenue			
Ordinary Account.....	7,683,344	7,883,186	7,984,551
Capital Account.....	56,311	54,927	10,705
Special Purpose Account.....	62,007	65,711	61,342
Special Operating Agencies (net).....	38,727	54,866	57,634
Sinking Fund Earnings.....	195,700	195,700	193,700
Total Revenue	<u>8,036,089</u>	<u>8,254,390</u>	<u>8,307,932</u>
Expense			
Ordinary Account.....	7,900,060	7,936,611	8,007,021
Capital Account.....	41,926	69,829	82,903
Special Purpose Account.....	69,656	70,373	74,228
Special Operating Agencies (net).....	26,448	41,092	53,372
Amortization of Tangible Capital Assets.....	389,124	391,837	417,238
Total Expense	<u>8,427,214</u>	<u>8,509,742</u>	<u>8,634,762</u>
Contingency Reserve.....	-	-	(150,000)
Surplus (Deficit)	<u>(391,125)</u>	<u>(255,352)</u>	<u>(476,830)</u>

COMPARATIVE STATEMENT OF CHANGE IN NET DEBT
Thousands
\$

	Year Ending March 31		
	2015 Estimate	2015 Revised	2016 Estimate
Surplus (Deficit).....	(391,125)	(255,352)	(476,830)
Acquisition of Tangible Capital Assets.....	(528,705)	(513,591)	(525,898)
Amortization of Tangible Capital Assets.....	<u>389,124</u>	<u>391,837</u>	<u>417,238</u>
(Increase) Decrease in Net Debt.....	<u>(530,706)</u>	<u>(377,106)</u>	<u>(585,490)</u>

TOTAL REVENUE
2015-2016
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCIES</u>	<u>TOTAL</u>
Agriculture, Aquaculture and Fisheries.....	10,603	-	-	-	10,603
Education and Early Childhood Development.....	22,135	-	23,940	-	46,075
Energy and Mines.....	22,004	-	-	-	22,004
Environment and Local Government....	4,514	-	8,751	-	13,265
Finance.....	6,857,842	-	56	-	6,857,898
Government Services.....	11	-	10	-	21
Health.....	35,161	-	1,515	-	36,676
Justice.....	7,274	-	449	-	7,723
Legislative Assembly.....	495	-	-	-	495
Natural Resources.....	96,360	40	3,347	-	99,747
Office of the Attorney General.....	384	-	200	-	584
Opportunities New Brunswick.....	11,509	-	-	-	11,509
Other Agencies.....	530,075	-	-	-	530,075
Post-Secondary Education, Training and Labour.....	152,504	-	1,853	4,806	159,163
Public Safety.....	174,059	-	9,142	-	183,201
Regional Development Corporation.....	-	-	-	56,114	56,114
Social Development.....	58,986	50	9,879	-	68,915
Tourism, Heritage and Culture.....	3,136	-	1,579	4,561	9,276
Transportation and Infrastructure.....	7,781	10,615	621	88,170	107,187
Sub-Total	7,994,833	10,705	61,342	153,651	8,220,531
Sinking Fund Earnings.....	-	-	-	-	193,700
Inter-account Transactions.....	(10,282)	-	-	(96,017)	(106,299)
TOTAL REVENUE	7,984,551	10,705	61,342	57,634	8,307,932

COMPARATIVE STATEMENT OF ESTIMATED GROSS REVENUE BY SOURCE
Thousands
\$

	<u>Year Ending March 31</u>		
	2015 Estimate	2015 Revised	2016 Estimate
Taxes			
Personal Income Tax.....	1,508,000	1,520,000	1,587,000
Corporate Income Tax.....	251,000	237,900	258,000
Metallic Minerals Tax.....	0	16,866	0
Provincial Real Property Tax.....	468,300	453,000	488,100
Harmonized Sales Tax.....	1,146,500	1,239,800	1,184,200
Gasoline and Motive Fuels Tax.....	240,000	240,000	268,200
Tobacco Tax.....	150,700	140,000	135,800
Pari-Mutuel Tax.....	600	600	600
Insurance Premium Tax.....	47,205	51,954	53,546
Real Property Transfer Tax.....	13,000	12,000	12,000
Large Corporation Capital Tax.....	0	1,300	0
Financial Corporation Capital Tax.....	27,000	27,000	27,000
Penalties and Interest.....	13,000	13,000	13,000
Sub-Total: Taxes	<u>3,865,305</u>	<u>3,953,420</u>	<u>4,027,446</u>
Return on Investment	254,044	275,003	295,765
Licences and Permits	144,168	144,075	148,333
Sale of Goods and Services	291,607	314,436	325,187
Royalties	94,255	92,980	107,230
Lotteries and Gaming Revenues	145,730	141,213	140,300
Fines and Penalties	8,164	8,088	8,165
Miscellaneous	48,940	57,778	61,189
TOTAL: OWN SOURCE REVENUE	<u>4,852,213</u>	<u>4,986,993</u>	<u>5,113,615</u>
Unconditional Grants – Canada			
Fiscal Equalization Payments.....	1,665,950	1,665,950	1,668,900
Canada Health Transfer.....	682,400	686,700	717,800
Canada Social Transfer.....	267,500	267,200	273,400
Other.....	1,866	1,866	1,866
Sub-Total: Unconditional Grants – Canada	<u>2,617,716</u>	<u>2,621,716</u>	<u>2,661,966</u>
Conditional Grants – Canada	213,415	274,477	219,252
TOTAL: GRANTS FROM CANADA	<u>2,831,131</u>	<u>2,896,193</u>	<u>2,881,218</u>
TOTAL: GROSS ORDINARY REVENUE	<u><u>7,683,344</u></u>	<u><u>7,883,186</u></u>	<u><u>7,994,833</u></u>

TOTAL EXPENSE
2015-2016
Thousands
\$

<u>DEPARTMENT</u>	<u>ORDINARY ACCOUNT</u>	<u>CAPITAL ACCOUNT</u>	<u>SPECIAL PURPOSE ACCOUNT</u>	<u>SPECIAL OPERATING AGENCIES</u>	<u>TOTAL</u>
Agriculture, Aquaculture and Fisheries.....	37,495	500	-	-	37,995
Education and Early Childhood Development.....	1,118,623	2,395	23,940	-	1,144,958
Energy and Mines.....	8,617	-	-	-	8,617
Environment and Local Government.....	139,381	1,000	8,500	-	148,881
Executive Council Office.....	19,148	-	-	-	19,148
Finance.....	17,282	-	56	-	17,338
General Government.....	554,951	-	-	-	554,951
Government Services.....	53,657	-	15	-	53,672
Health.....	2,596,039	19,000	2,000	-	2,617,039
Human Resources.....	3,421	-	-	-	3,421
Justice.....	42,491	-	449	-	42,940
Legislative Assembly.....	21,721	-	-	-	21,721
Natural Resources.....	93,267	1,510	3,302	-	98,079
Office of the Attorney General.....	17,975	-	200	-	18,175
Office of the Premier.....	1,616	-	-	-	1,616
Opportunities New Brunswick.....	50,883	-	-	-	50,883
Other Agencies.....	259,387	-	-	-	259,387
Post-Secondary Education, Training and Labour.....	613,793	2,000	1,936	4,806	622,535
Public Safety.....	166,262	-	12,525	-	178,787
Regional Development Corporation.....	65,012	19,168	-	64,721	148,901
Service of the Public Debt.....	685,000	-	-	-	685,000
Social Development.....	1,113,693	-	18,000	-	1,131,693
Tourism, Heritage and Culture.....	52,382	2,564	1,555	4,836	61,337
Transportation and Infrastructure.....	296,942	548,929	1,750	75,026	922,647
Total Expenditure	8,029,038	597,066	74,228	149,389	8,849,721
Investment in Tangible Capital Assets.....	(11,735)	(514,163)	-	-	(525,898)
Inter-account Transactions.....	(10,282)	-	-	(96,017)	(106,299)
Amortization of Tangible Capital Assets.....	-	-	-	-	417,238
TOTAL EXPENSE	8,007,021	82,903	74,228	53,372	8,634,762