



2007-2008

PRE-BUDGET CONSULTATIONS

2007-2008 Pre-Budget Consultation

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Introduction

The 2007-2008 New Brunswick Budget will be the first budget of this government's new four-year mandate. On September 18, this government was elected with a vision – the *Charter for Change*.

In the *Charter for Change*, this government makes commitments to the people of New Brunswick to lay the foundation for reinvigorating the economy and job creation, for going from worst to first in education, for providing more effective health and senior care, for promoting energy conservation and generation, and for putting the province on the road to fiscal self-sufficiency. We have already begun to implement our *Charter for Change*:

- The provincial gasoline tax has been reduced by 3.8 cents per litre;
- Additional funding has been provided for senior care in nursing homes;
- New Brunswick's share of the cost of cleaning up Saint John harbour has been committed;
- A \$2,000 grant for first year students at provincially-funded universities has been introduced;
- A comprehensive home energy efficiency program has recently been unveiled;
- A Child and Youth Advocate was appointed;
- A new agreement for insurance resulting in savings for drivers was negotiated;
- A "green" vehicle policy for government has been introduced;
- The minimum wage has been increased;
- Significant enhancements to child protection are being introduced.

With the upcoming budget, we will continue to implement the *Charter for Change*. Our goal is a self-sufficient New Brunswick within 20 years. By making strategic investments while remaining committed to fiscal responsibility, we will grow our economy and move along the path to greater self-sufficiency. This will require difficult – but necessary – decisions.

The Fiscal Challenge

The independent review of the province's finances by Grant Thornton is complete. Grant Thornton projects that the province is on track for a modest deficit of \$17.6 million in 2006-2007. However, as outlined in the report, a number of outstanding issues may still affect the results before year-end.

The report also sets out that the province will be facing a financial challenge next year and beyond. Rising costs of health and senior care, wages and other programs will contribute to significant growth in government spending, while, at the same time, revenues are being constrained by lack of population growth and tax reductions. Factors such as the current review of the Equalization Program and the financial risks associated

with the pending Point Lepreau refurbishment may also impact the province's revenues over the next few years.

Grant Thornton concludes that given historical trends, when combined with previous program decisions, the government faces considerable fiscal challenges over the next three fiscal years:

- 2007-2008: potential deficit in the range of \$300 - \$416 million.
- 2008-2009: potential deficit in the range of \$548 - \$719 million.
- 2009-2010: potential deficit in the range of \$573 - \$773 million.

This reaffirms the looming financial challenge that was identified to the government by the Department of Finance upon taking office.

The government will take the necessary steps to ensure that revenues and spending are in balance. At the same time, the government will take further steps to implement the *Charter for Change* and create the environment for growing the economy and creating better-paying and lasting jobs, for providing opportunities for our young and skilled people, for growing the population, for helping sustain the environment and conserving energy, for helping our children get a quality education and become more physically fit, and for providing a quality, accessible, and affordable health and senior care system.

The government will adhere to the balanced budget provisions of the *Fiscal Responsibility and Balanced Budget Act*. Achieving self-sufficiency requires not only strategic investments, but also maintaining fiscal responsibility and accountability.

Economic Situation

The overall New Brunswick economy in 2006 performed much as expected. The most recent consensus of private sector forecasts indicates economic growth in the 2.5 per cent range, comparable to the budget estimate. Employment growth in New Brunswick in 2006 was the strongest east of Ontario, while unemployment is at historic lows. Retail sales, a measure of consumer confidence, are showing the strongest increase since 1999. Capital investment remains strong. However, the forest sector continues to experience problems related to industry competitiveness, foreign competition and the strong Canadian dollar.

While making progress in the last several decades, New Brunswick lags national averages for most indicators of economic well-being and wealth generation. Our population is declining. Our share of the adult population holding jobs is 92 per cent of the national average. The standard measure for comparing economic growth across provinces is Gross Domestic Product per capita, with New Brunswick averaging only 75.8 per cent of the national average in 2005. On the income side, personal income per capita for New Brunswick was only 85.4 per cent of the average for Canada. These results indicate that this government's focus on population growth and retention,

economic development, and job creation through the *Charter for Change* are critical for the province to move toward self-sufficiency.

2007-2008 Pre-Budget Consultation

With the forthcoming budget, we will continue to implement the *Charter for Change*. But we must recognize that current spending demands outweigh projected revenues and will lead to substantial deficits – and increases to debt – in the future if not addressed now. We will not let this happen. Spending and revenues need to be aligned.

The 2007-2008 Pre-Budget Consultation process provides New Brunswickers the opportunity to identify their priorities, and identify means to balance revenues and spending.

The questionnaire will be available on the Internet at www.gnb.ca/0024/index-e.asp from February 5 to March 2, 2007.

Comments can also be sent by mail to:

**2007-2008 Pre-Budget Consultation
Minister of Finance
P.O. Box 6000, Fredericton, N.B.
E3B 5H1**

Comments can be sent by fax to **(506) 457-4989**.

Your views and opinions are important to us and will be taken into consideration as we form the 2007-2008 Budget.

Questions to Consider:

This questionnaire should help you prepare to identify your priorities and indicate means to balance revenues and spending. Please take the time to consider the following questions and respond online, by mail or by fax.

1. In developing the 2007-2008 Budget, what do you think the government's priorities should be? Please rank your top 3 choices, with 1 being the most important and 3 being the least important.

- Balancing the budget
- Health care (recruitment, community health, prescription drugs, ambulance services)
- Improving nursing home care / home care
- Promoting wellness and healthy lifestyle choices
- Population growth, retention and repatriation
- Education (strengthen schools, support teachers, learning opportunities for children)
- Affordable and accessible post-secondary education
- Economic development and job growth
- Energy conservation and generation
- Environmental responsibility and sustainability
- Infrastructure investment (roads, schools, hospitals)
- Assistance for people in poverty
- Tourism and cultural sector development
- Other

2. The government is committed to balanced budgets and fiscal accountability. The Grant Thornton review of government finances has stated that, going forward, there is a structural inequity between revenues and expenditures. How should spending and revenues be brought into balance? Please rank your top 3 choices, with 1 being the most important and 3 being the least important.

- Increase taxes and fees
- Postpone or eliminate tax cuts already in force or scheduled
- Reduce the size of some government programs
- Reduce annual public infrastructure investment
- Other

3. If new financial resources became available, how should government spend the money? Please rank your top 3 choices, with 1 being the most important and 3 being the least important.

- Enhance existing priority programs and services
- Tax reductions
- Improve the government's bottom line
- Accelerate priority initiatives
- Invest in public infrastructure
- Other

4. Do you have other priorities? Please rank your top 3 choices, with 1 being the most important and 3 being the least important.

- Automobile insurance
- Safe and affordable housing
- Modernization of traditional industries
- Enhance literacy training
- Other