



BUDGET 2003-2004



PETER MESHEAU
MINISTER OF FINANCE

Strengthening Prosperity

Budget 2003-2004

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Introduction

Mr. Speaker, I am honoured to rise in the House today and present this government's fourth consecutive balanced budget. A fourth consecutive balanced budget that once again fulfills our commitment to New Brunswickers to invest more in health care and education, lower income taxes for people and businesses, and strengthen prosperity for New Brunswickers.

That was our commitment in 1999. That remains our commitment today.

Today's budget will help strengthen New Brunswick's prosperity by investing in the most important public priorities of New Brunswickers—health care, education, jobs and infrastructure—while continuing to exercise strong fiscal discipline and management to ensure lower taxes and a balanced budget.

This budget continues our balanced approach of strong fiscal management and social program investment. It is a balanced approach that meets the needs of New Brunswickers today while building for tomorrow.

It sets out record funding for health and senior care of \$1.88 billion. It sets out a record \$1.12 billion in funding for education. It sets out capital spending of \$281.1 million. And, it sets out an additional \$54 million in income tax relief for people and businesses.

This budget projects a cumulative surplus of \$57.4 million for the four-year balanced budget period from 2000-2001 through 2003-2004. This budget estimates a revised budgetary surplus of \$3.0 million for 2002-2003. And, this budget forecasts a budgetary surplus of \$7.5 million for 2003-2004.

These are the choices we have made on behalf of New Brunswickers, and these are the choices that are leading to strengthened prosperity for New Brunswickers.

Strengthened prosperity through jobs: over 23,000 new jobs since 1999. Strengthened prosperity through higher personal income: an 11 percent increase since 1999. Strengthened prosperity through new investment: over \$14 billion in new public and private investment since 1999.

Mr. Speaker, New Brunswickers know that prosperity is neither automatic nor guaranteed. It will not happen because we wish it; it will only happen because we choose it. We must choose it by making smart investments under a clear long-term plan. That is exactly what this budget does.

We cannot choose prosperity by spending recklessly today in the hope of a better tomorrow. We cannot and will not relax the fiscal discipline that we have been exercising. Living within our means is both a matter of pride for New Brunswickers and essential to ensure future growth. That is exactly what this budget does.

Mr. Speaker, this budget delivers on our commitment to strengthen prosperity for all New Brunswickers.

New Brunswick's Economic Outlook

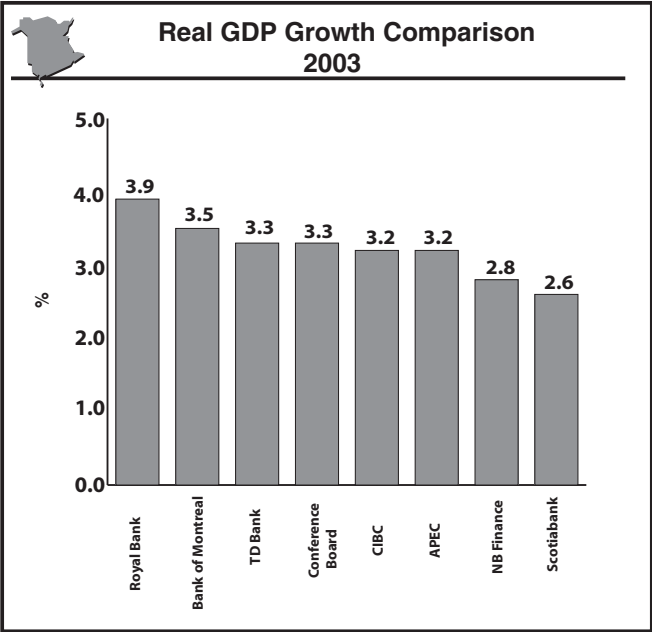
Mr. Speaker, the world economy reported a mixed performance in 2002 as it began its recovery from the problems of 2001. The largest economy in the world, the United States, has been slow to recover. Canada, on the other hand, reported the strongest growth among the major industrialized nations, and is expected to do so again in 2003.

In this environment, the New Brunswick economy performed better than we anticipated last March. However, the weakness in the United States economy, the destination of 89 percent of our merchandise exports, has limited our expansion. The Department of Finance now estimates real growth in Gross Domestic Product (GDP) of 1.8 percent for 2002, higher than the 1.2 percent we estimated in the 2002-2003 Budget. This is up from 1.0 percent in 2001.

Mr. Speaker, despite the weaker economic demand in the United States, our economy posted some important gains in 2002:

- New Brunswick was tied in reporting the strongest employment creation rate among provinces in the first eleven months of the year, generating 11,000 net new jobs.
- The unemployment rate has declined from 11.4 percent last December to 10.3 percent in November 2002.
- A record 349,200 people were employed in the province last month.
- There were 389,300 New Brunswickers in the labour force in November, the highest level ever.
- Private and public capital investment is estimated to increase 5.4 percent over 2001.
- Tourism revenues are forecast to reach an all-time high in 2002, up 9.4 percent from last year, the largest single-year increase on record.
- Tourist visitations are estimated to reach a record level of 1.5 million, an increase of 6 percent over the previous year.
- New Brunswick farmers have enjoyed the largest increase in farm cash receipts among provinces so far this year.
- Retail sales are increasing at a rate well beyond 2001 and consumers have been purchasing new autos and building new houses at a strong pace.
- And, manufacturing shipments and foreign exports of goods have shown marked improvement in the latter half of the year.

For 2003, most forecasters are expecting economic growth to strengthen in North America. In New Brunswick, private sector estimates for real GDP growth range from 2.6 percent to 3.9 percent. The Department of Finance is estimating real GDP growth at 2.8 percent for 2003, with growth in the same range for 2004. This will lead to steady, incremental job growth over the next two years.



New Brunswick's Fiscal Outlook

Mr. Speaker, the improved performance of our economy in 2002 is positive news, as are economic growth projections for the coming year. It demonstrates that New Brunswick has weathered the economic downturn of 2001 and is positioned for stronger growth over the next few years.

Nevertheless, the province is facing an ongoing fiscal challenge that must continue to be addressed.

The ongoing effects of the global economic slowdown is among the factors contributing to slower revenue growth than in the past while, at the same time, spending pressures continue to grow, particularly for health care. Infrastructure demands are also increasing. And, the performance of financial markets is having a significant adverse effect on our pension expense.

Now is not the time, therefore, for reckless spending. It is the time for controlled spending and continued strong financial management. We must be prepared to continue to make the necessary choices to ensure a strong financial foundation in the future for the people of New Brunswick.

Mr. Speaker, a few years ago, this government recognized that there would be fiscal challenges on the horizon, and that we should prepare ourselves for such circumstances. As a result, we established a Fiscal Stabilization Fund to help fund shortfalls in revenues needed to ensure the continued provision of essential public services for the people of New Brunswick.

Stabilization funds are used in other provinces such as Manitoba and Saskatchewan and are a well-established tool for prudent financial planning and management.

The principle behind such a fund is simple, Mr. Speaker—put something away for a rainy day. In times of prosperity, do not spend everything at once because those dollars might be needed later in case of an economic downturn or extraordinary events. At such times, a stabilization fund can help sustain the provision of important services to people, such as health care, education and social assistance.

In New Brunswick, a significant portion of our revenues come from federal transfers such as Equalization, which can fluctuate from year to year. Furthermore, other destabilizing events outside of our direct control such as developments on financial markets can have a significant impact on our fiscal situation. If we had spent every dollar as soon as we had received it, as was suggested by some people, then today we might be talking about cutbacks to health care and education, not new investments.

2002-2003 Fiscal Update

Mr. Speaker, I would now like to provide an update of the current fiscal year.

The 2002-2003 Budget projected a budgetary surplus of \$21.3 million. As noted earlier, we have had fiscal challenges over the course of the year. This has reduced the expected surplus. Nevertheless, I am pleased to announce that we are anticipating a budgetary surplus of \$3.0 million for 2002-2003, our third consecutive surplus since taking office. The reduction in the surplus, as you will see, is related to developments outside of our direct control and not due to increased government spending. In fact, spending will be lower than originally budgeted.

Overall, revenues are down \$46.1 million from budget. The primary factor is a shortfall of \$99.5 million in net income, attributable to difficult years being experienced by NB Power and Workplace Health, Safety and Compensation Commission (WHSCC). WHSCC in particular has seen its investment income adversely affected by the performance of financial markets. The net income of these entities appears on the province's books, although they are outside the direct control of government.

Mr. Speaker, this considerable reduction in net income has had a negative effect on the overall fiscal situation in 2002-2003. As a result, an additional \$24.2 million is being drawn into revenues from the Fiscal Stabilization Fund, for a total of \$104.2 million in 2002-2003. This will help ensure the continued provision of essential public services.

Total spending is \$27.8 million lower than budget, including \$15.8 million in net savings within departments, while the cost of servicing the public debt has fallen by \$12.0 million due to a stronger Canadian dollar than anticipated at budget.

It is important to reiterate, Mr. Speaker, that the major factors affecting the surplus in fiscal 2002-2003 are outside of our direct control. In addition to the problems faced by NB Power and WHSCC, there is considerable uncertainty in regards to pension expenses. Due to lower than anticipated investment returns, the interest cost included in pension expense is increasing. However, this does not affect our ability to meet our legal and financial pension obligations. As a result, individual pensions are not affected. We will continue to closely monitor this situation over the coming months.

2003-2004 Fiscal Outlook

During last year's budget speech, I indicated that the government would be facing considerable fiscal challenges in 2003-2004. Without corrective measures, expenditure pressures were anticipated to exceed revenue growth.

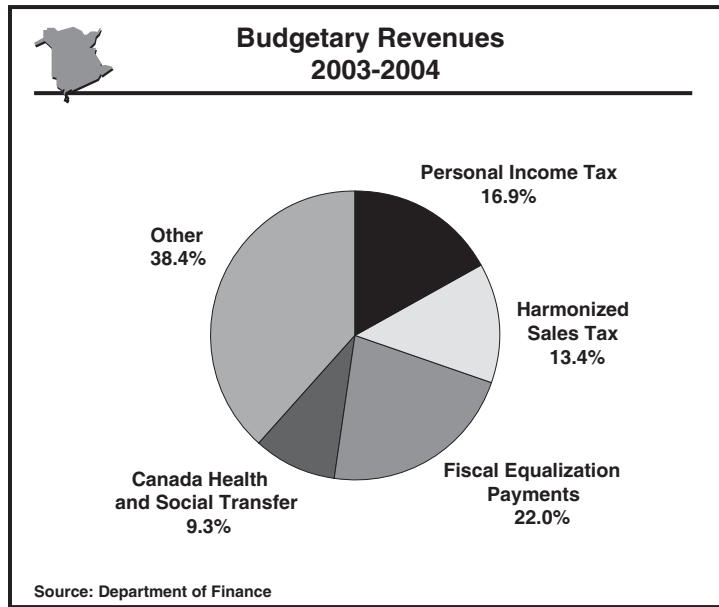
Despite the challenges, this government stands by its commitments. We will continue to invest in the most important priorities of New Brunswickers, including health and senior care, and education. We will continue to invest in those initiatives necessary to create a more prosperous New Brunswick, including transportation infrastructure, economic development and innovation. We will follow through on announced personal and business income tax reductions, particularly for low-income New Brunswickers, working families and small businesses. Plus, we will continue to be fiscally responsible in managing government spending, ensuring our fourth consecutive balanced budget.

Mr. Speaker, we must take every reasonable step possible to ensure we live within our financial means as a province. This takes on added significance at a time when expenditure pressures exceed revenue growth. Our financial margin to maneuver in 2003-2004 is limited due to a number of factors, including a significant increased pension expenditure requirement of \$76.1 million due to weakened financial markets.

In order to fund new needs, primarily in health care and education, as well as match available federal dollars for new highway construction, ongoing financial restraint within departments and select, targeted revenue increases have been required.

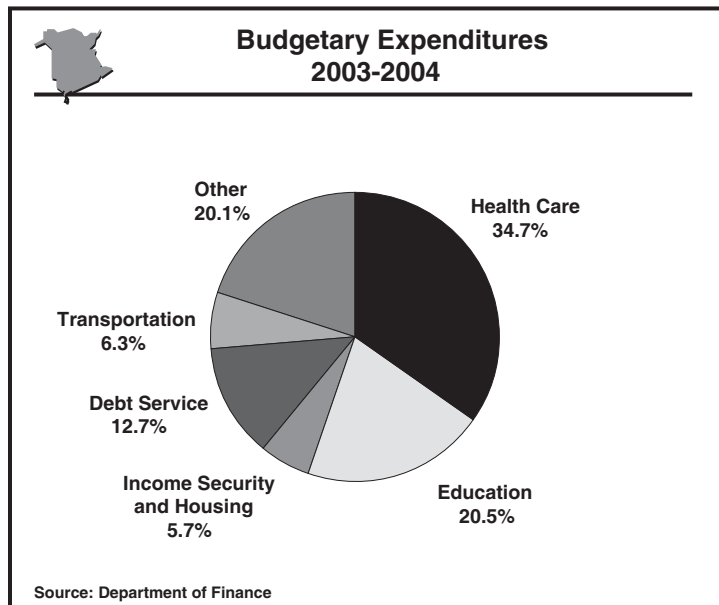
Mr. Speaker, as a result of these measures, today's budget projects a budgetary surplus of \$7.5 million for the 2003-2004 fiscal year.

Revenues are projected at \$5.483 billion, an increase of 4.6 percent from the revised level for 2002-2003. Contributing factors include the strengthening of New Brunswick's economy in 2003, a significant improvement in the net income of NB Power and WHSCC from 2002-2003 levels, and select tax measures to address the structural imbalance between revenue and expenditure growth.



Furthermore, Mr. Speaker, the remaining \$108.5 million from the Fiscal Stabilization Fund has been drawn into revenues in 2003-2004, clearly demonstrating the foresight in creating this fund in the first place. At the same time, it leaves no financial reserve for the future, reinforcing the need to be prudent in our future spending decisions.

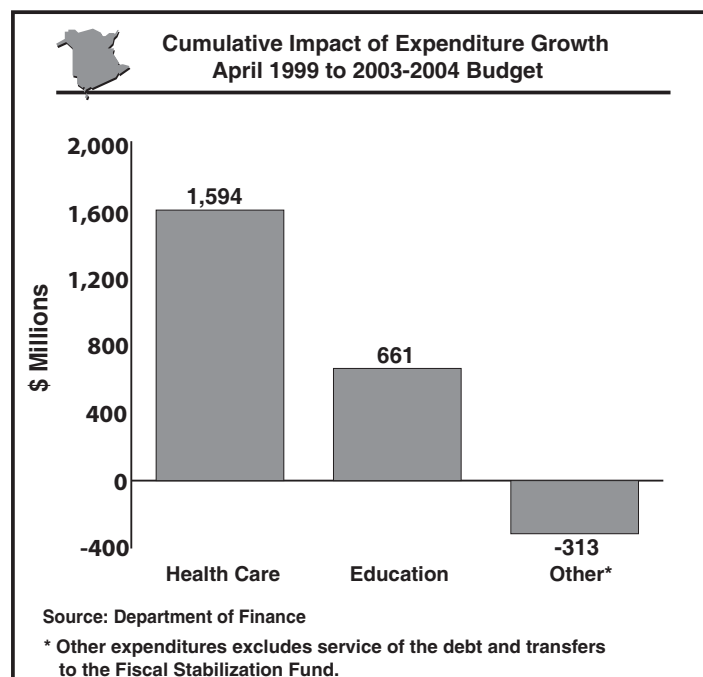
Expenditures are estimated at \$5.476 billion, up 4.5 percent from 2002-2003.



Since taking office, Mr. Speaker, this government has focused on investing more in health and senior care, education and infrastructure, while lowering income taxes. These are the most important public priorities of New Brunswickers, and they are the ones we remain focused on.

With today's budget, cumulative new funding for health and senior care and education since 1999 totals nearly \$2.3 billion. Of this, health and senior care represents \$1.6 billion. As a result of investments by this government, we will be spending \$489 million more on health and senior care in 2003-2004 than was spent in 1998-1999, a 35 percent increase.


Cumulative new funding for education is approaching \$0.7 billion since 1999. Over the same period, other government expenditures have decreased by \$0.3 billion. This clearly demonstrates the priority this government places on health and senior care, and education.



Balanced Budget and Credit Rating

Mr. Speaker, the *Balanced Budget Act* requires that the province's revenues exceed expenditures over a four-year period. With today's budget, the government is projecting that revenues will exceed expenditures by a cumulative total of \$57.4 million over the 2000-2001 to 2003-2004 period for balanced budget purposes.

New Brunswick continues to enjoy the best credit rating east of Ontario. Clearly, our commitment to fiscal responsibility, as well as our strategic investments and tax measures, have been looked upon favourably. A strong credit rating reinforces that New Brunswick is a sound investment and a good place to do business. We will continue to take the steps necessary to protect this rating and ensure we are not only meeting today's needs but planning for tomorrow's needs as well.



Credit Ratings in Effect December 2002

	Standard & Poor's	Moody's	DBRS
Alberta	AAA	Aaa	AAA
Ontario	AA	Aa2	AA
British Columbia	AA-	Aa2	AA (low)
Manitoba	AA-	Aa3	A
New Brunswick	AA-	A1	A
Québec	A+	A1	A
Saskatchewan	A+	Aa3	A
Prince Edward Island	A	A2	A (low)
Nova Scotia	A-	A3	BBB (high)
Newfoundland and Labrador	A-	A3	BBB

Meeting Today's Needs, Investing For Tomorrow's

Mr. Speaker, this budget provides for key investments in infrastructure, health and senior care, education and jobs along with other initiatives aimed at strengthening New Brunswick's prosperity. It puts into place some of the 40 actions and initiatives identified in the Speech from the Throne, and represents another significant step in moving forward on the ten-year *Greater Opportunity: New Brunswick's Prosperity Plan*. It aims to meet the needs of New Brunswickers today while investing for their needs tomorrow.

Capital Spending

Mr. Speaker, today's budget provides for gross capital spending of \$281.1 million in 2003-2004, an increase of \$25.5 million, or 10 percent, over 2002-2003 revised spending. The budget for the Department of Transportation is up over 17 percent from 2002-2003, while capital spending for health is more than double last year's level. Together, these capital investments will help create and maintain 4,200 jobs for New Brunswickers.

I would like to provide details on some of the key initiatives contained in the capital estimates for the upcoming fiscal year.

A total of \$196.0 million in capital spending is budgeted for the Department of Transportation this year for roads and highways, which represents an increase of \$28.7 million from 2002-2003 revised levels. Of this, \$106 million is provided this year under existing federal-provincial agreements to improve our roads and highways, including twinning the Trans-Canada Highway (TCH) in New Brunswick.

Last year, we stated that we were ready to put up our share immediately to complete the twinning of the Trans-Canada Highway. Now, the federal government has responded. As a result of the new TCH agreement, along with other federal-provincial highway agreements we have negotiated, we are now in a position to bring about greater predictability and stability to road and highway construction in our province. With this budget, we are on our way to investing the full amounts of the current, existing federal-provincial agreements on roads and highways, including the TCH, within the agreed next five years.

Mr. Speaker, gross capital expenditures will more than double in the Department of Health and Wellness this coming year, growing by \$12.4 million to a level of \$24.0 million. This includes investments for new Community Health Centres, upgraded medical equipment and general capital improvements in a number of health institutions.

This budget invests \$34.0 million in education infrastructure, which includes \$25.0 million in funding towards the completion of the government's four-year, \$100.0 million Healthy Schools program.

For the Community College network, \$2.0 million is budgeted for capital improvements.

Funding in this budget will ensure the completion of the expansion of high-speed Internet broadband for New Brunswick schools and community colleges for the start of the 2003 school year.

Mr. Speaker, \$10.6 million is being provided for "green" infrastructure through the continuation of the Canada-New Brunswick Infrastructure Program. This is the fourth year of a six-year federal/provincial/municipal agreement that will see \$163 million invested into projects ensuring safe drinking water, wastewater, water management and solid waste management systems.

Funding is also provided for the completion of the new Miramichi Law Court Facility.

Health and Senior Care

Mr. Speaker, as we have seen, health and senior care is a top priority for this government. We are not only investing more than ever before, but we are investing as part of a clear plan to renew our health care system for New Brunswickers.

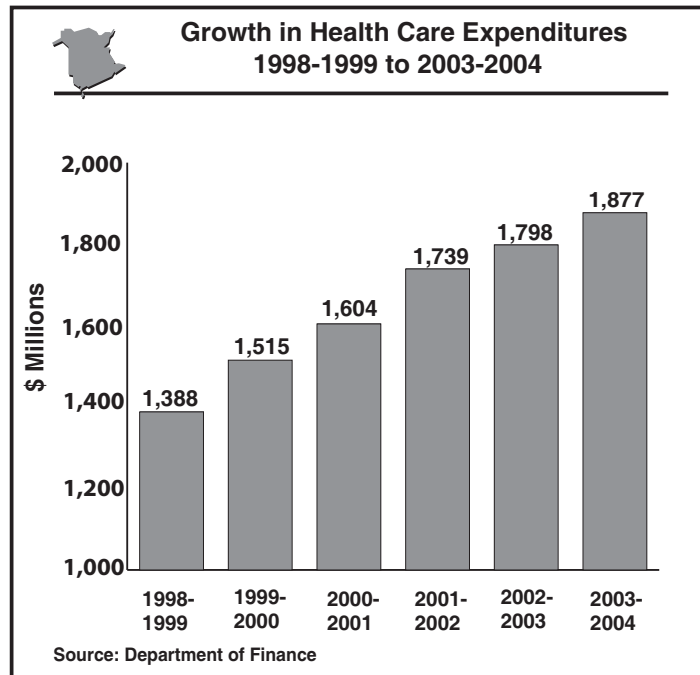
On October 29, Premier Lord set out the government's vision and overall plan for health care renewal in New Brunswick. He called it "A plan to create a truly patient-focused, community-based health care system. A plan to provide seamless, integrated care based on the patient's needs, not the system's needs. A plan to deliver the right health care services, in the right way, at the right time, by the right provider, at a cost taxpayers can afford."

This is the plan we will continue to follow in guiding our investments in health and senior care.

Mr. Speaker, after years of past neglect, this government's first priority upon assuming office was to stabilize our health care system with more funding and targeted investments aimed at recruiting more doctors and nurses, expanding our Prescription Drug Program, increasing the number of MRI machines and ensuring sufficient hospital funding.

With last year's budget, the government began to focus on the second stage of our overall health care renewal plan: to improve access to health care services for all New Brunswickers. In particular, this government will move further down the path of improving access to 24/7 primary health care services wherever New Brunswickers live.

Mr. Speaker, today's budget once again provides for record levels of health and senior care funding of \$1.88 billion. This represents an increase of \$78.4 million over the revised 2002-2003 level.



The 2003-2004 Budget includes:

- \$843.1 million for Hospital Services, an increase of \$24.1 million from the current fiscal year.
- \$327.3 million in funding for Medicare, \$17.4 million above the revised 2002-2003 levels.
- Funding of \$114.5 million for the Prescription Drug Program, \$12.0 million more than in 2002-2003.
- And, \$388.8 million in funding for long-term care and nursing home services, an increase of \$20.0 million from the current fiscal year.

This budget provides an additional \$1.4 million for the government's fourth consecutive increase of \$250 per year in the certified disability supplement. As a result of this initiative, announced in our first budget, over 4,500 certified disabled social assistance recipients will now receive \$1,000 more in 2003 than they did when we first took office.

The provincial contribution towards wages paid to in-home support workers will increase by an additional 25 cents in 2003-2004, the second phase of our three-year commitment to increase provincial support by \$1.00 per hour. An additional \$0.8 million is provided for this initiative.

The government will also maintain its commitment to provide assistance to low-income seniors through its Low-Income Seniors' Benefit program. The estimated cost of this program is \$3.2 million.

Mr. Speaker, we are continuing our efforts to improve health care for seniors and disabled individuals in nursing homes. During the year, the government will unveil plans for a multi-year approach to upgrade, renew and replace selected nursing home infrastructure in the province.

Assistance will be provided to nursing homes for WHSCC premium payments for a period of three years, at which time a review will be conducted. A total of \$2.0 million has been committed in 2003-2004. This will ensure that the quality of care will be maintained.

Furthermore, we will be providing an additional \$2.0 million for continued enhancements relating to resident care needs. Together, these measures will help protect residents, families, and nursing home employees and operators.

Mr. Speaker, our ability to provide even more health and senior care for New Brunswickers is limited by a lack of additional federal funding. Both the Kirby Senate report and the recently released Romanow Royal Commission report have called for significant new federal investments into health care. It is clear that Canada's health care system is underfunded by the federal government.

Province after province continues to squeeze its finances to meet growing health care needs. Province after province is changing the way it delivers health care in order to address federal funding shortfalls.

Medicare started out as a true 50:50 partnership. Now, for every dollar spent on health care in Canada today, 86 cents comes from the provinces and only 14 cents comes from the federal government.

The challenge for Ottawa is clear. If they want to be the defenders of the *Canada Health Act*, then they must fund the *Canada Health Act*.

In his response to the Romanow report, Premier Lord indicated his willingness to work with the federal government and other provincial and territorial governments to arrive at a new, long-term funding partnership that will help sustain our health care system into the future.

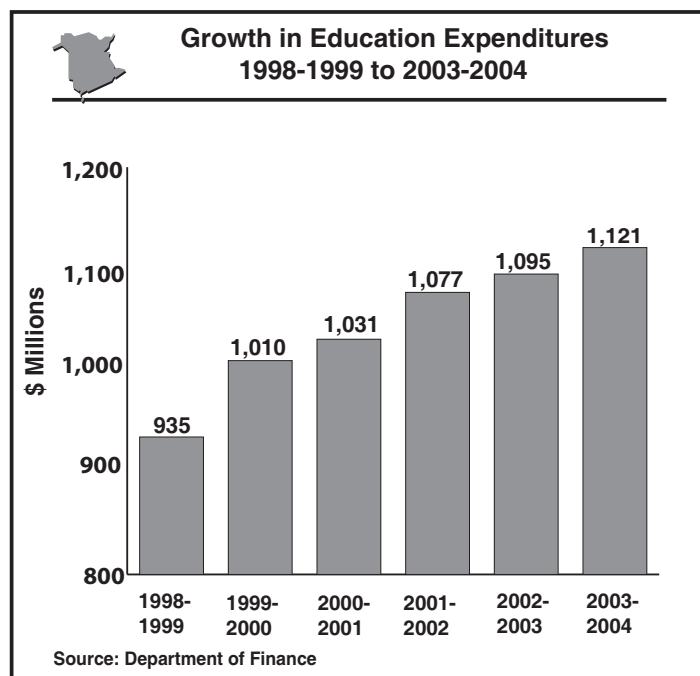
Provincial and territorial premiers will be meeting with the Prime Minister on the future of health care before the end of January. It is imperative that progress be made in putting our health care system on a more sustainable track.

Adequate, stable, predictable and growing funding is central to sustaining our health care system. We want our health care system to have security for the future. That is why we will set out a multi-year funding plan for New Brunswick health care once the federal government makes its new long-term funding commitments known in its next budget. These multi-year budgets will allow our Regional Health Authorities and other providers to better plan for the health care services they deliver to New Brunswickers.

Education and Children

Mr. Speaker, investing in people is one of the four building blocks in our ten-year *Prosperity Plan*. Education is critical to our future competitive success as a province and to ensuring greater opportunities for our children right here at home.

To help meet these needs, total spending on education will reach a record level of \$1.12 billion in 2003-2004, an increase of \$25.9 million from last year.



Today's budget provides for funding of \$716.9 million for Kindergarten to Grade 12, an increase of \$17.6 million from the previous year. Within this budget, an initial investment of \$2.5 million is being set aside for a new early literacy initiative as part of the forthcoming Quality Learning Agenda.

Since we took office, direct education funding for each student in K-12 has increased from \$4,829 in 1998-1999 to a projected \$6,042 in 2003-2004, an increase of over 25 percent.

Mr. Speaker, during our first three years in government, we increased university base funding by over 6 percent. Today, this budget goes even further by setting a new three-year funding plan to increase university base funding by 10 percent. This budget provides for a 3.4 percent increase, which equates to a \$6.1 million increase over last year. This marks our fourth consecutive increase in funding to universities in our province.

The government continues to move forward on its Early Childhood Development Agenda. An increase of \$2.3 million is committed towards this initiative in 2003-2004, which includes continued supports for childcare, early language development, prenatal care and other programs.

An additional \$2.1 million will be provided to enhance access to post-secondary education as part of our three-year plan. This fulfills our commitment for an overall increase of \$6.2 million to the Department of Education's budget for the enhanced bursary program.

Overall, Mr. Speaker, education represents the second largest spending priority of this government.

Focusing on Key New Brunswick Priorities

Today's budget provides additional funding focused on key New Brunswick priorities.

To fulfill a commitment set out in the Speech from the Throne, I am pleased to announce that \$200,000 has been budgeted towards the establishment of a New Brunswick Advisory Council on Seniors.

As part of our continuing commitment to meet special economic needs in northeast New Brunswick, the Regional Development Corporation will invest \$5.0 million towards a new \$25 million, five-year Restigouche-Chaleur Economic Development Fund and will also spend \$5.0 million towards the fourth year of the \$25 million, five-year Acadian Peninsula Economic Development Fund.

An additional \$1.0 million will be provided to hire up to 15 additional RCMP officers, as part of the province's efforts to fight organized crime.

The province will be committing an additional \$0.9 million to the Cultural Policy initiative in the second year of our three-year plan to increase funding by \$2.8 million by 2004-2005.

Funding of \$2.0 million will be provided to support municipalities for transition costs related to provisions under the *Official Languages Act*. A total of \$0.5 million is committed for the establishment of an Office of the Commissioner of Official Languages.

Ministers will provide further details on these initiatives during Main Estimates.

Competitive Taxation For Jobs And Growth

Mr. Speaker, lower taxes help make our businesses more competitive, allowing them to create new jobs, improve productivity and increase investment. We are already seeing this here in New Brunswick with record job growth and high investment levels.

New Brunswick needs more competitive taxes in order to attract new investment and help create more jobs. This is another essential building block of our ten-year *Prosperity Plan*.

Total tax burden was the top issue cited by three-quarters of New Brunswick businesses that responded to a survey done by the Canadian Federation of Independent Business in August 2002. Mr. Speaker, that is exactly why this government will continue to focus on competitive taxation.

That is why we have lowered personal and corporate income taxes each and every year since we took office. And that is why we will continue to do so. This government believes in rewarding success, not simply subsidizing effort.

Mr. Speaker, as a result of measures taken by this government since taking office, New Brunswickers will benefit from provincial personal income tax savings of \$130 million in 2003-2004. Cumulative provincial personal income tax savings total \$360 million over the 2000-2001 to 2003-2004 period.

To provide some perspective, a one wage-earner family with income of \$25,000 will now pay \$519 less in New Brunswick personal income taxes in 2003 than in 1999, a reduction of over 47 percent from the 1999 level.

At the same time, New Brunswick businesses will realize savings of \$65 million in corporate income taxes in 2003-2004, and will benefit from cumulative savings of an estimated \$122 million over the four-year period.

Mr. Speaker, despite the fiscal challenges we are facing, this government has followed through on each and every one of the income tax relief measures it has announced. None will be rolled back. None will be postponed. Our commitment to provide continued income tax relief to New Brunswick taxpayers is firm.

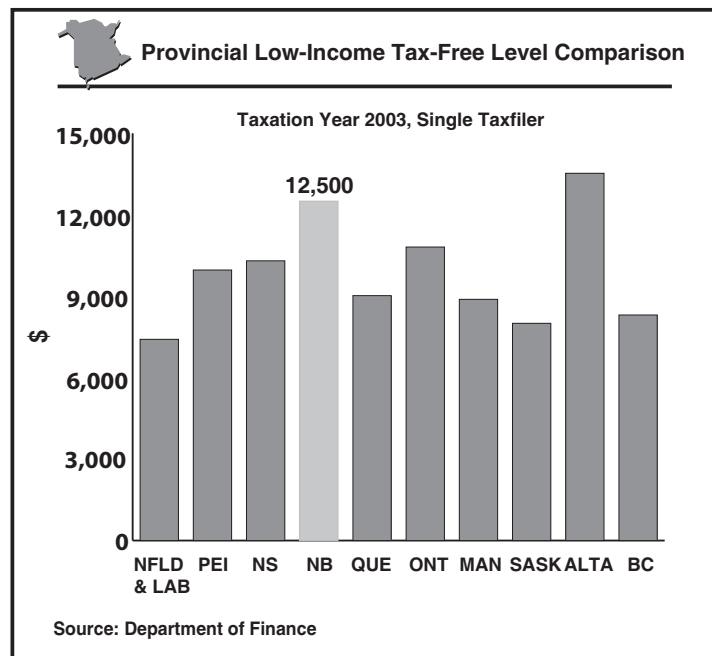
This year's budget therefore confirms phased-in income tax reductions announced in last year's budget and announces other measures that will enable us to further reduce the income tax burden on people and businesses and create jobs in New Brunswick.

Mr. Speaker, effective for the 2003 taxation year, New Brunswick's Low-Income Tax Reduction will be enhanced so that all single taxfilers with income up to \$12,500 will no longer pay provincial

personal income tax. As a result, New Brunswickers who earn income from a full-time job at the current minimum wage and families earning up to \$20,000 will no longer pay any provincial income tax.

This is part of the government's effort to remove barriers to work, and will remove a further 15,000 taxfilers from paying provincial income tax for the 2003 taxation year and beyond. In total, more than 40,000 New Brunswickers will not have to pay any provincial personal income tax in 2003 compared to the 1999 tax structure.

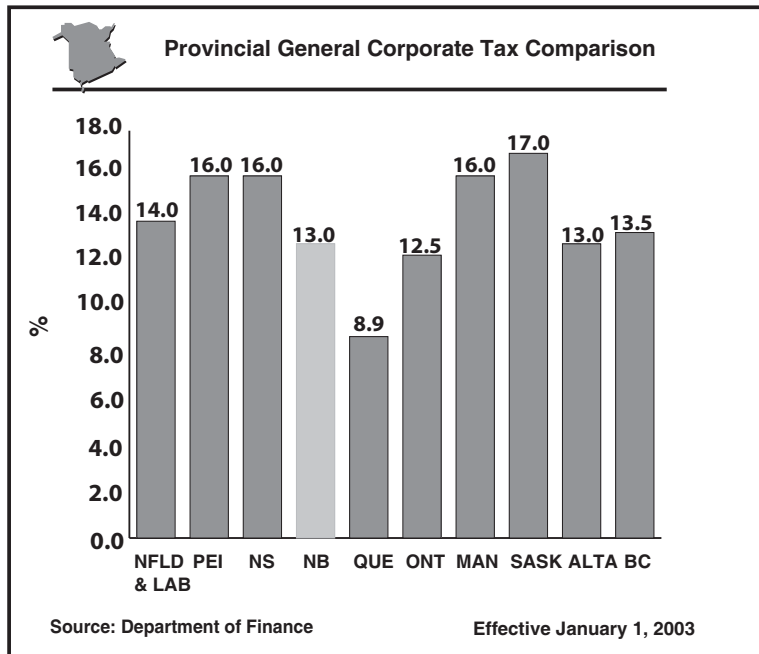
With this measure, Mr. Speaker, New Brunswick's tax-free income level is now second only to Alberta, providing more income tax relief to those who need it most. The provincial tax-free income level has increased from \$6,794 in 1999 to \$12,500 in 2003, an increase of 84 percent. It is a record we hope to improve on even more in the years ahead.



The decision to introduce indexation in the 2001-2002 Budget continues to benefit New Brunswickers. Effective January 1, 2003, indexation of personal tax credit amounts and tax brackets will result in additional savings to New Brunswick taxpayers and working families.

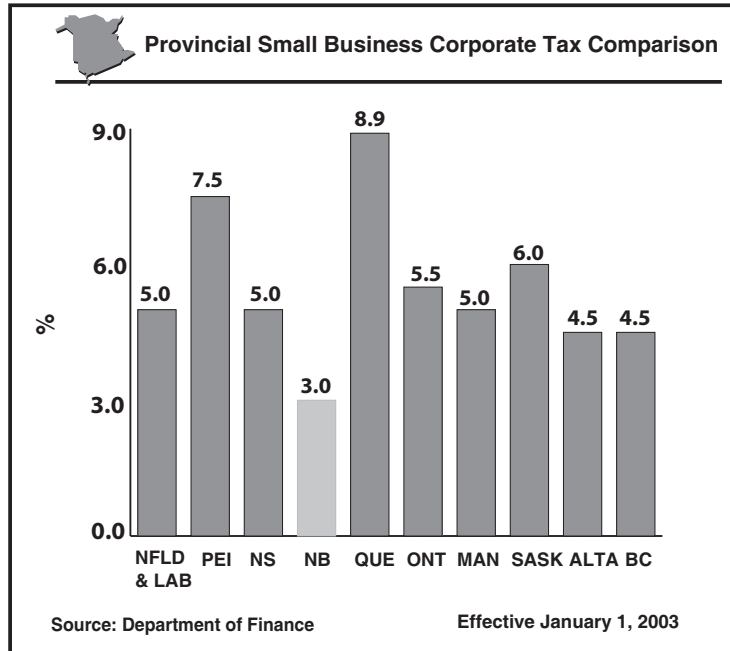
Mr. Speaker, this government is working hard to make New Brunswick more competitive. A series of corporate income tax reductions were announced in the 2002-2003 Budget to give us a stronger competitive advantage, create new jobs and help attract investment to New Brunswick. We are following through on each and every one of these measures.

Effective January 1, 2003, New Brunswick's general corporate income tax rate will be reduced once again, from 14.5 percent to 13 percent. When we took office, New Brunswick had the highest general corporate income tax rate in the country. Now, we will have the third lowest rate in Canada.



Mr. Speaker, New Brunswick's small businesses are the backbone of our economy. As the largest job creators in the province, it makes sense to reduce their tax burden to help create and protect jobs. That is why, since 1999, we have made New Brunswick the most "small business friendly" province in Canada. And we intend to keep it that way by strengthening our position even further.

This budget once again lowers the small business corporate income tax rate, to a level of 3 percent. This reaffirms New Brunswick as having the lowest rate anywhere in Canada.



At the same time, the income threshold eligible for the small business corporate income tax rate will be increased from \$350,000 to \$400,000, giving New Brunswick businesses the highest income threshold in the country. The lowest tax rate and the highest income threshold are the cornerstones of our small business tax advantage in New Brunswick.

As a result of tax relief measures undertaken since 1999, a New Brunswick small business with active business income of \$400,000 will realize tax savings of \$34,000 in 2003, a reduction of 74 percent from 1999. More money is staying in the pockets of New Brunswick small businesses, which helps to foster job creation and greater prosperity for New Brunswick.

Building Innovation; Investing in Small Business

Mr. Speaker, today's budget also provides two new strategic income tax incentives that will help increase the competitiveness and prosperity of New Brunswick. These measures support two of the key building blocks of our *Prosperity Plan*: embracing innovation and creating a competitive fiscal and business environment. They will help build innovation in New Brunswick and encourage investment in our small businesses.

Mr. Speaker, as committed in our newly released Innovation Agenda, New Brunswick's Research and Development (R&D) tax credit will be significantly increased and enhanced from 10 percent to 15 percent of eligible expenditures incurred on or after January 1, 2003, and will be made fully

refundable. A fully refundable tax credit will benefit New Brunswick companies with eligible R&D expenditures even if the company is not in a taxable position.

This initiative will encourage New Brunswick companies to build their innovative capacity even further and invest in new research and development right here at home. In particular, it will benefit small start-up businesses making R&D expenditures. It will result in New Brunswick having one of the most competitive R&D tax credits in Canada and help us achieve our goal of joining the top four provinces in Canada in innovation by 2012.

Mr. Speaker, we believe in building New Brunswick job opportunities with New Brunswickers. There are many New Brunswickers with good business plans and ideas that are experiencing difficulties financing their new businesses or expanding existing operations. Even those who obtain debt financing often find that excessive debt burdens threaten the viability of their businesses. We believe government should encourage entrepreneurship by supporting new investment and rewarding success. That is exactly what we plan to do.

The government will therefore introduce a new Small Business Investor Tax Credit, which will provide a 30 percent non-refundable personal income tax credit of up to \$15,000 per year on eligible investments by New Brunswickers. It will be limited to investments in Canadian-controlled private corporations having assets of \$25 million or less. The credit will be applied against provincial personal income tax otherwise payable.

Mr. Speaker, the Small Business Investor Tax Credit will encourage investment by New Brunswick residents in New Brunswick small businesses, thereby providing an important new source of capital. It will help match New Brunswick entrepreneurs with New Brunswick investors. Most small businesses in New Brunswick will be eligible to benefit from this new credit. This measure will help generate millions of dollars in new small business investment in the province.

Given the significant reductions in the small business corporate income tax rate over the past few years, Mr. Speaker, it is necessary to adjust New Brunswick's Dividend Tax Credit to ensure that it does not overcompensate for the amount of tax collected at the corporate level. Therefore, for dividends declared and paid on or after January 1, 2003, the Dividend Tax Credit rate will be reduced from 7.6 percent to 3.7 percent.

Fair and Transparent Taxation

Mr. Speaker, New Brunswick's fiscal challenge means that we must always strive to live within our means. And as we live within our means, we need to make choices about priorities. And as we make choices about priorities, we must also make choices about how we will pay for these priorities.

Last year we established the New Brunswick Road Improvement Fund, to provide greater accountability than ever before on what is being collected by means of gasoline and motive fuel taxes in New Brunswick, and what is being spent on roads and highways.

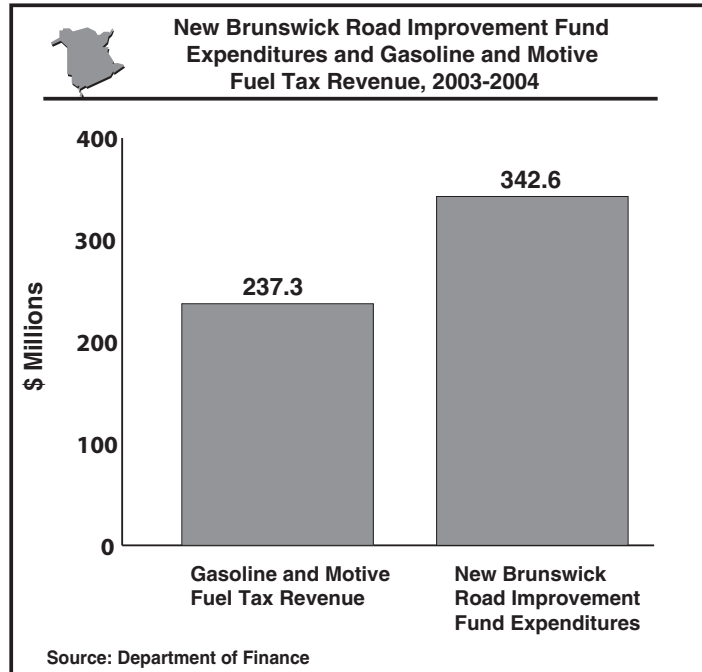
All gasoline and motive fuel taxes collected by the government now go into the New Brunswick Road Improvement Fund. This fund is now presented separately in the provincial budget. New Brunswick taxpayers and motorists can see for themselves that each and every dollar collected in gasoline and motive fuel taxes is being spent on one thing and one thing only: road and highway improvements through construction, repair, operations and maintenance. Every dollar and every penny without exception.

The New Brunswick Road Improvement Fund shows clearly and unequivocally that the province spends considerably more on its roads and highways than it actually collects in gasoline and motive fuel tax revenues.

As the capital portion of this budget indicates, expenditures for road and highway construction in New Brunswick will be increased considerably in the coming year to meet our growing infrastructure needs and ensure we are able to access available federal funding. This new construction and repair must be paid for. There is simply no way around it. In effect, we must pay for what we pave.

Today, I am therefore announcing a further step to bring gasoline and motive fuel tax revenues more in line with expenditures on roads and highways. Effective midnight tonight, the motive fuel tax will be increased by 1.5 cents from 15.4 cents per litre to 16.9 cents per litre and the gasoline tax will be increased by the same amount, 1.5 cents, from 13 cents per litre to 14.5 cents per litre. This will generate an additional \$23.3 million in revenue that will go into the New Brunswick Road Improvement Fund, and will be used solely for road and highway construction, repair, operations and maintenance, and nothing else. This additional gasoline and motive fuel tax revenue will help finance increases in road and highway expenditures for the Department of Transportation of \$28.9 million.

Mr. Speaker, during the next fiscal year, gasoline and motive fuel taxes will generate \$237.3 million. The total budget for road and highway construction, repair, operations and maintenance will be \$342.6 million, of which \$44.3 million will be funded through federal recoveries.



Even with this necessary increase, New Brunswick’s gasoline tax will still compare favourably with other provinces. We will still be lower than Nova Scotia, Newfoundland and Labrador, Ontario, Quebec and Saskatchewan. Given that New Brunswick has one of the most extensive road and highway networks in the country and that we spend the highest on a per capita basis of any province on highway infrastructure, this new level is reasonable and responsible.

Mr. Speaker, tobacco taxes are levied to discourage smoking and to help offset the costs that smoking imposes on the health care system. Effective midnight tonight, the tobacco tax will be increased by 50 cents per package of cigarettes with equivalent increases in tobacco sticks and fine cut tobacco. This revenue measure will generate an additional \$10.2 million in the next fiscal year. This measure will complement the government’s overall tobacco reduction strategy. It is a further step in the fight against smoking that will have long-term benefits to the health of New Brunswickers. It will ensure that users of tobacco products cover more of the costs imposed on the health care system and will help further reduce smoking, especially by our youth.

Conclusion

Mr. Speaker, today's budget is about strengthening prosperity. It is about meeting today's needs of health care, education and jobs while investing in tomorrow's needs of strategic infrastructure, innovation and competitive taxation. We are focusing on the most important priorities of New Brunswickers. We have made choices not just to serve people today, but help us prepare for a brighter tomorrow.

New Brunswickers believe in balance. They know we must be both competitive and compassionate. That is what we have done in today's budget. They also realize that we must be fiscally conservative in order to be socially progressive. That, too, is what we have done in today's budget.

And, as practical, pragmatic people, New Brunswickers know we must live within our means. They know we must be prudent in our decisions this year because they will have an impact on future years. That above all is what we have done in today's budget.

Mr. Speaker, I would like to conclude where I began. This fourth consecutive balanced budget once again fulfills our commitment to New Brunswickers to invest more in health care and education, lower income taxes for people and businesses, and strengthen prosperity for New Brunswickers.

I am pleased and proud to present this 2003-2004 Budget to this House and to all New Brunswickers.

Thank you.

Appendix: Summary Budget Information

BUDGET PLAN
2003-2004
Millions
\$

BUDGETARY ACCOUNTS	Budget Plan
Ordinary Account:	
Revenues	4,999.3
Expenditures	5,128.3
Surplus (Deficit)	(129.0)
 Capital Account:	
Recoveries	55.7
Expenditures	281.1
Net Capital Expenditures	225.4
 Special Purpose Account:	
Revenues	34.9
Expenditures	33.7
Surplus (Deficit)	1.2
 Special Operating Agencies:	
Revenues	184.9
Expenditures	177.7
Surplus (Deficit)	7.2
 Sinking Fund Earnings	 245.0
 Decrease (Increase) in Net Debt	 (101.0)
 Transfer (to) from Fiscal Stabilization Fund	 108.5
 Surplus (Deficit)	 7.5

COMPARATIVE BUDGET PLAN
Millions
\$

	Year Ending March 31		
	2003 Budget Estimate	2003 Revised Estimate	2004 Budget Estimate
BUDGETARY ACCOUNTS			
Ordinary Account:			
Revenues	4,847.4	4,776.0	4,999.3
Expenditures	4,949.4	4,918.8	5,128.3
Surplus (Deficit)	(102.0)	(142.8)	(129.0)
Capital Account:			
Recoveries	48.0	46.3	55.7
Expenditures	257.8	255.6	281.1
Net Capital Expenditures	209.8	209.3	225.4
Special Purpose Account:			
Revenues	32.7	33.5	34.9
Expenditures	31.2	32.2	33.7
Surplus (Deficit)	1.5	1.3	1.2
Special Operating Agencies:			
Revenues	187.3	191.2	184.9
Expenditures	175.7	181.8	177.7
Surplus (Deficit)	11.6	9.4	7.2
Sinking Fund Earnings	240.0	240.0	245.0
Decrease (Increase) in Net Debt	(58.7)	(101.2)	(101.0)
Transfer (to) from Fiscal Stabilization Fund	80.0	104.2	108.5
Surplus (Deficit)	21.3	3.0	7.5

Note: Columns may not add due to rounding.

NEW BRUNSWICK ROAD IMPROVEMENT FUND
Millions
\$

	Year Ending March 31		
	2003 Budget Estimate	2003 Revised Estimate	2004 Budget Estimate
Revenue			
Gasoline and Motive Fuel Tax	210.0	217.1	237.3
Expenditures			
Department of Transportation			
Capital Account	168.1	167.3	196.0
Ordinary Account	148.3	146.5	146.6
Total Expenditures	316.4	313.8	342.6
Net Expenditures	106.4	96.7	105.3
 Source of funding for Net Expenditures			
Federal Capital Recoveries	40.1	39.0	44.3
Provincial Contribution from Consolidated Fund	66.2	57.7	61.0
TOTAL	106.4	96.7	105.3

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

Note: Columns may not add due to rounding.

FISCAL STABILIZATION FUND
Thousands
\$

	Year Ending March 31		
	2003 Budget Estimate	2003 Revised Estimate	2004 Budget Estimate
Opening Balance.....	173,600	203,700	105,500
Deposit	0	0	0
Earnings	3,000	6,000	3,000
Withdrawal	(80,000)	(104,200)	(108,500)
Closing Balance	96,600	105,500	0

GROSS BUDGETARY REVENUE 2003-2004

Thousands

\$

DEPARTMENT	<u>Ordinary Account</u>	<u>Capital Account</u>	<u>Special Purpose Account</u>	<u>Special Operating Agency</u>	<u>Inter- Account Transactions</u>	<u>Total Gross Budgetary Revenue</u>
Agriculture, Fisheries and Aquaculture	3,206					3,206
Business New Brunswick	11,362	485				11,847
Education	24,056		16,501			40,557
Environment and Local Government	3,062		4,593			7,655
Family and Community Services	62,679		4,437			67,116
Finance	4,345,471		556			4,346,027
General Government			1,218			1,218
Health and Wellness	33,387	7,500	1,400			42,287
Justice	53,509		357			53,866
Legislative Assembly	18					18
Natural Resources and Energy	80,259	50	2,783			83,092
Office of the Comptroller	52					52
Other Agencies	165,459					165,459
Public Safety	96,012		2,544	4,341		102,897
Regional Development Corporation	9,008	3,150		23,057	(12,443)	22,772
Supply and Services	1,013		505			1,518
Tourism and Parks	3,088			690		3,778
Training and Employment Development	103,101		36	86,662	(63,173)	126,626
Transportation	<u>4,520</u>	<u>44,500</u>		<u>70,181</u>	<u>(69,531)</u>	<u>49,670</u>
TOTAL:	4,999,261	55,685	34,930	184,931	(145,147)	5,129,660
Sinking Fund Earnings						245,000
Transfer from Fiscal Stabilization Fund						108,500
GROSS BUDGETARY REVENUE						<u><u>5,483,160</u></u>

Note: Columns may not add due to rounding.

GROSS BUDGETARY EXPENDITURE 2003-2004

Thousands

\$

DEPARTMENT	Ordinary Account	Capital Account	Special Purpose Account	Special Operating Agency	Inter- Account Transactions	Total Gross Budgetary Expenditure
Agriculture, Fisheries and Aquaculture	28,653	300				28,953
Business New Brunswick	25,815					25,815
Education	779,703	1,000	16,550			797,253
Environment and Local Government	56,178	1,000	4,650			61,828
Executive Council Office	4,696					4,696
Family and Community Services	702,550		1,828			704,378
Finance	80,944		56			81,000
General Government	314,574		1,218			315,792
Health and Wellness	1,487,880	12,500	1,400			1,501,780
Intergovernmental and International Relations	1,952					1,952
Justice	40,543		357			40,900
Legislative Assembly	14,235					14,235
Maritime Provinces Higher Education Commission	187,018					187,018
Natural Resources and Energy	91,551	1,000	2,775			95,326
Office of the Comptroller	5,052					5,052
Office of Human Resources	5,798					5,798
Office of the Premier	1,178					1,178
Public Safety	92,073		2,734	4,341		99,148
Regional Development Corporation	44,082	15,614		23,057	(12,443)	70,310
Service of the Public Debt	696,800					696,800
Supply and Services	88,984	53,155	2,105			144,244
Tourism and Parks	25,990	500		690		27,180
Training and Employment Development	205,385		36	86,662	(63,173)	228,910
Transportation	146,700	196,000		62,981	(69,531)	336,150
GROSS BUDGETARY EXPENDITURE	<u>5,128,334</u>	<u>281,069</u>	<u>33,709</u>	<u>177,731</u>	<u>(145,147)</u>	<u>5,475,696</u>

Note: Columns may not add due to rounding.

GROSS ORDINARY REVENUE BY SOURCE

Thousands

\$

Year Ending March 31

	2003 Budget Estimate	2003 Revised Estimate	2004 Budget Estimate
OWN SOURCE			
Taxes			
Personal Income Tax	922,500	914,800	924,100
Corporate Income Tax	142,300	142,300	142,300
Metallic Minerals Tax	6,400	5,900	5,000
Provincial Real Property Tax	297,310	301,616	314,764
Harmonized Sales Tax	699,000	699,000	734,700
Gasoline and Motive Fuel Tax	210,000	217,100	237,300
Tobacco Tax	70,000	86,100	95,200
Pari-Mutuel Tax	80	80	80
Insurance Premium Tax	28,500	35,300	41,300
Real Property Transfer Tax	3,800	3,800	4,000
Large Corporation Capital Tax	34,900	34,900	36,400
Financial Corporation Capital Tax	8,600	8,600	8,800
Sub-Total: Taxes	<u>2,423,390</u>	<u>2,449,496</u>	<u>2,543,944</u>
Return on Investment	164,544	64,075	187,776
Licenses and Permits	96,815	97,833	98,177
Sale of Goods and Services	84,728	85,273	84,969
Royalties	63,458	63,499	63,444
Lottery Revenues	110,023	110,025	115,553
Fines and Penalties	1,701	1,725	1,736
Miscellaneous	15,136	17,710	14,362
TOTAL: OWN SOURCE REVENUE	<u>2,959,794</u>	<u>2,889,636</u>	<u>3,109,961</u>
Unconditional Grants - Canada			
Fiscal Equalization Payments	1,202,000	1,202,000	1,202,000
Canada Health and Social Transfer	494,400	494,400	511,100
Other	1,900	1,900	1,900
Sub-Total: Unconditional Grants - Canada	<u>1,698,300</u>	<u>1,698,300</u>	<u>1,715,000</u>
Conditional Grants - Canada	189,283	188,113	174,301
TOTAL: GRANTS FROM CANADA	<u>1,887,583</u>	<u>1,886,413</u>	<u>1,889,301</u>
TOTAL: GROSS ORDINARY REVENUE	<u>4,847,377</u>	<u>4,776,049</u>	<u>4,999,261</u>

Note: Columns may not add due to rounding.

NET DEBT
Millions
\$

	Year Ending March 31		
	2002 Actual	2003 Revised Estimate	2004 Budget Estimate
Net Debt as at March 31 of the previous year	6,797.9	6,654.1	6,755.3
Decrease (Increase) in Net Debt for the Year	143.8	(101.2)	(101.0)
Net Debt — End of Year	6,654.1	6,755.3	6,856.3