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| **Province** | **Législature/Legislature** | **Session** | **Type de discours/Type of speech** | **Date du discours/ Date** | **Locuteur/Speaker** | **Fonction du locuteur/ Function**  | **Parti politique/ Political party** |
| Nouveau-Brunswick/New Brunswick | 58 | 2 | Discours du Budget/ Budget Speech  | 16-02-2016 | Roger Melanson | Minister of Finance | Liberal |

**Introduction**

As New Brunswickers, we spend more on interest payments on the provincial debt than we invest in universities, colleges and financial aid to students. Although this challenge has been created over several years, it needs to change, and it begins today.

Our priority is to create more jobs for New Brunswickers. But we understand that job growth alone will not solve our fiscal challenges. We need a balanced approach that also looks at reducing government spending and finding additional sources of revenue.

After extensive review and eliminating tens of millions of dollars in waste and duplication in government, and having examined the size of the challenge before us, we had to make a choice between raising the Harmonized Sales Tax (HST) or making deep cuts in education and health care. We were elected on a platform of investing in families through education and health care. Our values support strong public education and health care systems. This budget raises the HST, Mr. Speaker, and it does so to protect the services we hold so dear and to allow us to continue investing in these priorities.

Mr. Speaker, 1 am pleased to table in the House today our government's second budget. It reflects the choices necessary to build the foundation for a future where government has the capacity to invest in New Brunswick's priorities of jobs, education and health care. This is a budget that reflects our hopes, not our fears.

The importance we are placing in these areas is highlighted by the creation of the Education and New Economy Fund. This new fund will support and coordinate new and existing programs in the areas of jobs and education.

This budget marks the conclusion of the Strategic Program Review process that was led by my colleague sitting here on my left. I want to thank him for his hard work and his dedication to New Brunswick. While implementation will continue for some time, the tough decisions are now behind us.

Through this exercise, we have identified measures to improve the province's bottom line by $589 million, which will put us on track to balance the books in 2020-2021 as we committed to in our platform. These measures are balanced, with $296 million in expenditure reductions and $293 million in revenue measures.

ln September 2014, New Brunswickers made a choice and elected our government with a clear set of priorities. Simply put, New Brunswickers chose a government that would invest in jobs, education and health care, and do so in a fiscally responsible manner.

Unfortunately, we inherited a bad situation in terms of finances and jobs, which meant that we could not make the investments in New Brunswick's priority areas without first creating a foundation of fiscal responsibility and a climate for job growth. The previous government was the first in recorded history to have a net job loss over the course of its mandate, all while the provincial net debt increased by almost 30 percent.

Creating jobs is our first priority and it is an important part of restoring our finances. Job growth generates additional tax revenue to help remedy our financial situation and position us to invest in the important services that New Brunswickers expect and deserve.

But it will take more than just job creation to eliminate the deficit and put us into a surplus position. We are committed to taking a balanced approach to addressing our fiscal challenges by identifying efficiencies and generating revenue.

From the start, Strategic Program Review has been an exhaustive, inclusive and transparent process with input from the public, youth, stakeholders and government departments. My colleagues, the members from Shediac­Beaubassin-Cap-Pelé and Miramichi Bay-Neguac, and I oversaw a review of every single program of government. We identified areas of waste, inefficiency and non-priority spending, and we have eliminated these in this budget. We found wasteful spending that ranged from just a few thousand dollars to millions of dollars. No stone was left unturned.

We also consulted extensively with New Brunswickers. We took their ideas and used them to help us identify opportunities and prioritize. Beginning last winter and continuing through last month, we held public meetings on Strategic Program Review. Approximately 3,000 New Brunswickers from all walks of life attended our public dialogue sessions, including 1,800 during our most recent tour of the province. In addition, more than 9,000 ideas were submitted online, by email or by mail. I thank those New Brunswickers who took the time to participate in this important exercise.

The *Choices to Move New Brunswick Forward* report outlined choices we could make to help build a smarter and more responsive government that is focused on the needs of New Brunswickers now and into the future.

There were six choices of major financial significance:

* Right-sizing management in government;
* Deep cuts to health care;
* Deep cuts in education;
* Highway tolls;
* Corporate taxes; and
* HST.

Today's budget is about making the choices that will allow us to have a sustainable budget into the future, while enabling us to make investments in job creation, education, health and other social services.

**Background**

Mr. Speaker, it has now been eight years since the financial crisis set off a chain of events around the world, leading to the broadest and deepest global economic downturn in generations. Many countries continue to struggle to resolve their economic and fiscal challenges. New Brunswick is no exception to these circumstances.

When we took office, New Brunswick had already experienced six successive deficits. Spending growth was constrained but revenue grew well below historical norms as the economy continued to underperform. Over this period, many of our indicators of financial health deteriorated.

The Auditor General and credit rating agencies made note of these worrying trends to the point that it resulted in a downgrade to our credit rating as recently as 2012.

Given these difficult trends, we acted immediately and led by example. This started at the top with the Premier cutting cabinet salaries and freezing MLA wages. We also reduced the number of deputy ministers by 30 percent.

We took steps in our first budget to control spending with reductions of $115 million and introduced a number of measures to increase our revenues in the order of $57 million, including asking those who can afford it the most to contribute more.

We moved forward with plans to consolidate and modernize common services across government. It is a great example of how government can do things better, smarter and more efficiently.

We could have cut deeper and faster by imposing arbitrary across-the-board cuts as previous governments have done. Instead, we took the time to engage in the necessary dialogue and analysis through Strategic Program Review. We went through government expenditures line by line.

**Improving Efficiency and Eliminating Waste in Government**

Mr. Speaker, there are approximately 45,000 people who make up the New Brunswick Public Service - about 9,000 in the public service, almost 17,000 in the school system, and over 19,000 in the health care system. It is their

dedication and professionalism that leads to public calls for maintaining the high level of service New Brunswickers have come to expect. Public sector wages, which range in the order of $2.4 billion, represent one of the larger expenditure items in our budget. However, wage control means more than just freezing wages.

Over time, layers develop in every organization. These layers eventually prevent ideas from flowing, limit dissemination of information and impact decision making. When we took office there were 18 ministers and 27 deputy ministers. ln addition, there were 102 senior managers in positions like assistant deputy minister, vice-president or executive director.

We have already reduced the number of cabinet ministers and the number of deputy ministers by almost 30 percent. By March 315\ we will reduce the number of senior managers by 30 per cent. And over the course of the next five years, we will also reduce the size of middle management by 30 percent.

We will also be reorganizing the structure of government with further elimination of duplication and realization of efficiencies. This includes reorganizing within departments and in some cases merging departments. These changes will be announced when cabinet is next shuffled.

This will include a significant reorganization of the Department of Transportation and Infrastructure that will see reductions in senior- and middle-management and a renewed focus on the core services of the department: winter maintenance, summer maintenance and contract management. Non-core functions will shift to the private sector impacting nearly 200 casual workers during construction season.

The Department of Post-Secondary Education, Training and Labour will support those impacted by the changes with adjustment services, which may include job placements, training, El enhancements and connecting them to opportunities with employers in the private sector.

Building on the significant progress made last year in the creation of the new Service New Brunswick, our government will also generate additional efficiencies by centralizing human resources services for the public service.

Taken together, this right-sizing of management and organizational realignment will save $46.4 million.

Mr. Speaker, government operates more than 40 different contact centres with varying levels of cost and service. Each independently-operated contact centre handles calls differently using different technology platforms.

By consolidating our contact centres, we can achieve financial savings, invest in technology and improve services to consistently meet customer needs, promote stability, and respect privacy considerations and the *Official Languages Act.* By

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amalgamating the more than 40 contact centres into four regional business centres, we will save $3.5 million annually. Government will work with the private sector contact centre industry which is facing worker shortages, to place any employees who are displaced by this initiative.

Similar to our findings with contact centres, there are currently non-medical laboratory services operating under three different governance models, six different mandates and six separate management teams. This model results in significant duplication and variation across lab services. By consolidating our lab activities, we will save up to $600,000 annually.

Through our review, we identified that two of our tourism visitor information centres are located where traffic is exiting our province. Due to the low usage of these centres and given that they are mostly serving tourists who have completed their visit in New Brunswick, we will close the visitor information centres in Cape Jourimain and Campobello. Visitor information will continue to be provided at the Cape Jourimain Nature Centre and at Campobello's Herring Cove Provincial Park.

We also identified that the Department of Public Safety operates eight regional offices that are located in communities with Service New Brunswick service centres. By transferring their customer service functions to Service New Brunswick, we can save $514,000 per year.

Recently, Transport Canada regulations required us to remove the Gagetown ferry from service. To replace this ferry would cost about $5 million. ln light of the fact that this ferry has the lowest ridership in the system and is only 15 kilometres from the Trans-Canada Highway bridge at Upper Gagetown, we have taken the decision not to replace this ferry.

Our first budget put a great deal of emphasis on fairness in paying for and delivering public services. Fairness also extends to our employees.

Our government believes that it is important to maintain an ongoing dialogue with our employees. When we took office, there were 16 expired collective agreements. Since that time we have negotiated 14 collective agreements. The modest wage increases contained in these agreements will not impact our plan to return to balance as they will be outpaced by revenue growth.

ln addition to providing modest salary increases, we are working to eliminate the retirement allowance with all bargaining groups. As collective agreements are settled, we expect to achieve annual savings of $29 million through the elimination of the retirement allowance.

Government is also launching initiatives to reduce the use of sick leave, carry­over of vacation benefits, workplace accidents and the length of workers' compensation leaves as part of an effort to reduce labour costs.

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As identified through the Strategic Program Review process, we will be eliminating or modernizing a number of programs including:

* Eliminating the Municipal Fine Revenue Sharing Program;
* Renegotiating licence management fees for forestry operators;
* Right-sizing the industry assistance budget;
* Modifying regulations under the *Electrical Installation and Inspection Act;*
* Allowing New Brunswickers to opt out of vehicle registration reminders by mail;
* Centralizing designated land registry offices from 13 offices to one; and
* Making it cheaper and easier for motor vehicle dealers to use online motor vehicle services.

We will be reducing the number of and the cost associated with agencies, boards and commissions by about 15 percent through:

* Eliminating and merging some boards;
* Reducing the membership of some boards; and
* Applying consistent compensation standards for board members.

**lmproving the Way Government Works**

Mr. Speaker, we are improving the way government works by establishing an Alternative Service Delivery (ASD) unit within the Department of Finance. This unit will ensure a strategic, evidence-based and standardized approach is applied when reviewing services that could be delivered by government versus those better delivered by another party through an ASD model. This will result in real savings to New Brunswickers.

As an initial step in improving the way government works through ASD, our government will pursue partnerships with private sector organizations for the management of the following registries: Real Property Registry, Motor Vehicle Registry and Corporate Registry.

This model has been successfully applied in Ontario, Manitoba and Saskatchewan and will lead to significant financial benefits through a one-time lump sum payment and annual royalties. New Brunswickers will also see additional savings in the future as service providers assume responsibility for investing in technology and upgrading the registries.

ln following industry best practices to minimize costs and maximize efficiencies, and to provide a platform to grow the business in New Brunswick, government will also be outsourcing to a not-for-profit corporation, the pension and benefits administration and pension investment functions of government.

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We know how important innovation is to growing our province. With the launch of the Smart Province Initiative, we are focused on building the first truly digital government in North America. We want to create an open and secure digital society, to make everyday things better and more efficient for New Brunswick citizens.

As part of the Smart Province Initiative, we have partnered with the private sector to launch a digital lab, an open data project, and we are actively exploring options for digital IDs for New Brunswickers.

Similar to other jurisdictions, our government will also open up new revenue streams by allowing companies and/or individuals to purchase the rights to name government-owned assets such as buildings, parks and bridges. Part of this initiative could also include allowing advertising on or around certain assets such as ferries, roadways and common areas in government buildings.

Further efficiencies will be gained by providing opportunities to the private sector to acquire, lease and/or operate government-owned assets. These opportunities could lead to one-time cash payments, reduced costs and increased revenues for government.

Larry's Gulch is one of the better known examples where enhanced private sector involvement may be appropriate. Operating a fishing lodge is not part of government's core functions or priorities. This is why we will be undertaking the analysis necessary to quantify the economic value of this asset and to identify qualified private sector operators, leading to a private sector proponent operating Larry's Gulch in 2017-2018. This strikes the balance of maintaining the valuable asset in the hands of New Brunswickers while ensuring it is managed better and not abused for partisan political purposes.

ln addition to Larry's Gulch, we recognize that the Mactaquac Provincial Park Golf Course is not an essential service to the public nor is it a core park service. As such, we will be issuing a formai Request for Proposais for the operation of the Mactaquac Provincial Park Golf Course with the intent to implement for 2017- 2018.

Government will also explore the sale of various surplus properties. Properties, such as the old Saint Andrews Gaol, the Hopewell Cape Municipal Building, Edgecombe House and Moncton High School, will only be sold following consultations with the community and if there is a good fit for the asset in the private or non-profit sector.

Mr. Speaker, Strategic Program Review explored a number of options to maximize the return to taxpayers from NB Liquor. ln this regard, NB Liquor will develop and implement a strategic plan with the objective of maximizing net income by pursuing strategic business opportunities and optimizing and

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improving operational practices. These efforts are expected to generate up to $20 million in additional revenue for the province.

The Strategic Program Review process was modeled after a similar process undertaken by the federal government in the 1990s. lt has often been observed that in that process, the federal government solved many of its problems by decreasing its transfers to provincial governments. As part of Strategic Program Review, government considered reducing transfers to municipal governments.

From 2007-2008 to 2014-2015, following the global econom ic downturn, provincial government revenues grew by 16 per cent. Over the same period, municipal government revenues grew by 32.3 percent.

This demonstrates that municipalities have seen their ability to pay for their operations relative to the province improve considerably over the past several years. At the same time, we have heard from New Brunswickers that they do not want the provincial government to balance its books on the backs of other levels of government. As a result, our government has chosen to maintain transfers to municipalities at their current levels for the balance of our mandate.

ln order to ensure that municipalities become more sustainable, we will require that any future municipal amalgamations or annexations meet the criteria for viability set out in the Finn report. Moreover, we will encourage municipalities and local service districts to consider mergers, where appropriate, by favouring viable communities through infrastructure funding programs. ln addition, we will ask regional service commissions to identify and propose viable municipalities within their regions. A unit of government will assist communities in this work.

Modernizing local governance, however, would consist of a number of initiatives aimed at creating viable communities, including modernizing legislation to give municipalities powers to promote development and become hubs of job creation, and improving the voluntary community restructuring approach.

While opportunities exist to find efficiencies, identify savings and work more collaboratively together, modernizing local governance is a complex initiative and will need to be done in cooperation with local governance stakeholders.

To help municipalities manage expenses, the Strategic Program Review process identified a number of mechanisms aimed at addressing rising labour costs. ln recent years, arbitrators have often granted wage increases to employees that exceed municipalities' ability to pay. As a result of these findings, our government will be introducing changes to binding interest arbitration. These changes will also extend to other organizations that receive funding from government including universities, and to all other sectors such as construction, manufacturing and retail, resulting in a consistent approach for all stakeholders across New Brunswick. Legislation to implement these changes will come later this session.

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There is further potential for cost savings and service efficiencies through the restructuring of all provincial court services. This organizational review will help ensure best practices and standards are used and followed across the province, and will focus on four key points: consolidating resources, reviewing the court security protocol, expanding specialized programs and an organizational renewal. This initiative aims to find approximately $250,000 in savings. Any changes identified through this review will be implemented in 2017-2018.

**Protecting Education and Health Care**

New Brunswickers have been clear that they will not accept deep cuts in education and health care. Furthermore, cuts of this magnitude do not align with the values of our government. New Brunswickers have spoken and we have listened.

This does not mean that there will not be changes in these areas. We must improve the education and health care systems as they are vital to our economy and the quality of life of New Brunswickers.

The 10-year education plan will be tabled in the coming months and government will make investments to implement the plan from the Education and New Economy Fund.

Our government will continue the long-standing policy of decreasing the number of teachers overall as enrolment declines. This measure will be done entirely through attrition. lt is estimated that 200 teachers will retire this year and government will hire 150 new teachers to maintain or improve the student­teacher ratio. New Brunswick and other provinces have had similar policies for many years.

Over the next two years, we will also be optimizing the student transportation system through technological and operational changes. Standard practices and processes will be implemented across the province in all school districts in bath education systems in New Brunswick. By adopting these changes, up to $2.6 million can be reinvested into fleet renewal and student achievement.

We will work closely with district officiais to ensure regional requirements are met and we will ensure that New Brunswickers are well informed of any changes to the current routes. We understand that changes to school bus routes may be difficult, but we believe optimizing the transportation system is the right thing to do for the future and will allow us to invest additional resources into the classroom to help our students achieve.

ln keeping with our platform commitment, the Education and New Economy Fund contains funding for a new tuition assistance program for those with the greatest financial need and for other targeted individuals. My colleague, the Minister of

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Post-Secondary Education, Training and Labour, will unveil details of this program later this session following the conclusion of consultations with student representative groups.

With respect to funding for universities, from 2007-2008 to 2014-2015, provincial operating transfers to public universities grew by 11.5 percent. At the same time, enrolment decreased by 11.8 per cent. We will therefore continue to freeze university operating grants in this budget. However, the Education and New Economy Fund will make strategic investments in projects that will help ensure the best education system for New Brunswickers, and contribute to the growth of our economy.

Tuition increases will be capped to no more than two percent for New Brunswick students. However, we will not impose controls on tuition fees for out-of-province students to allow universities to further grow their revenue while remaining competitive in national and international student recruitment. Existing special arrangements with St. Thomas University will be respected. To ensure predictability for students, we will work with universities to implement our platform commitment to provide students with a four-year tuition fee schedule prior to the end of our mandate.

We will continue to work with public universities on a new, mutually acceptable funding formula - a formula that is performance-based and ensures universities are able to focus on growth. When this formula is in place, we will lift the freeze on the total assistance envelope as universities surpass their performance targets.

The university community will also benefit from the changes to binding interest arbitration 1 mentioned earlier.

Mr. Speaker, thanks to the health reforms that began in 2008, we have seen significant progress in controlling health expenditure growth in New Brunswick. According to the Canadian Institute for Health Information (CIHI), public expenditures on health care have increased by 1.5 per cent annually over the last five years. This compares to annual growth of 2.6 percent for Canada, and places New Brunswick as the top province for controlling health expenditure growth over this period.

This is an achievement we can all be proud of as we have accomplished savings without introducing significant cuts that would negatively affect the delivery of health services in New Brunswick.

New Brunswickers have told us that the best way to contain costs in health care is to be proactive and healthier. We will look at early detection, better chronic disease management, reducing obesity and use of tobacco, reducing poverty and other negative health determinants.

However, without pursuing innovative and transformational opportunities in the delivery of health care, cost pressures will continue to increase. Simply directing more money at our health care challenges, without changing our approach, will not change our results.

Opportunities exist to redesign our health care system to have better health outcomes in the province; to find efficiencies and reduce building maintenance costs; and to redirect resources to where they will make the greatest difference.

We know that between one-third to one-half of the system's resources are used by five per cent of the patients. Some of these costs are unavoidable. One solution is to develop a community-based, primary care system. This will put more care into the community, will be better for the patient and will contribute to the long-term sustainability of our health care system.

Therefore, 1 am pleased to announce we have entered into formal discussions with the New Brunswick Medical Society and Medavie Blue Cross to explore how we can build upon our existing strengths to develop an enhanced community-based, primary health care service.

The Department of Health has already realized efficiencies in its Diagnostic Imaging Repository by reducing the number of long-term storage systems from eight to two. As the Picture Archiving and Communication System (PACS) feeds into this repository, additional savings can be realized in this area. The Department of Health will consolidate PACS in two phases with some cost savings to be realized through the removal of IT equipment and/or service costs.

Implementation will begin in 2016-2017, with the Department of Health consulting with stakeholders prior to this consolidation. It is estimated that we will see savings of $470,000 by 2018-2019.

Through Strategic Program Review, a number of proposals were raised with respect to senior care and nursing homes which could have realized efficiencies for government. However, instead of introducing any of these potential measures today, our government is deferring any decisions in these areas until the completion of the work of the Council on Aging.

My colleague, the Minister of the Department of Social Development, will announce the appointment of this council in the coming days. It is expected that the Council will report back by the end of the year. The Council's mandate is to produce a broad, 10-year Aging Strategy that is aligned with our vision and focused on delivering fiscally sustainable programs and services in a manner that reflects best practices in healthy aging and senior care.

While the Council on Aging conducts its work, Social Development will proceed with a number of administrative efficiency measures. The Disability Support program, which currently offers flexible supports for persons with disabilities, will provide clients with the option to self-manage their own disability support funding.

This will allow clients to choose their own services and service providers that will meet their needs more appropriately and may provide less expensive, more sustainable and appropriate care. This model has been used elsewhere and has resulted in higher client satisfaction and, in some cases, reduced expenditures.

Following consultations and an extensive review with the assistance of health professionals and stakeholders, Social Development will be introducing dollar maximums and frequency limits to its Health Services program.

Based on medical and clinical advice, these changes will introduce reasonable, clinically-sound parameters around the benefits being offered, while also allowing for exceptions as warranted.

Building on similar practices within the Department of Health, the Department of Social Development will work with the New Brunswick Pharmacists' Association to develop a pricing model that provides consistent and predictable pricing for health supplies. ln addition, the department is looking at mechanisms to purchase oxygen supplies at lower rates than it currently pays.

The Department of Social Development will also introduce measures that will enhance procurement controls and standardize service types across all regions and program areas. This includes establishing a contract management framework for grants that will align funding to department priorities and enhance accountability among service delivery partners.

ln order for the province to be able to afford its continued investments in these priority areas, we have taken the difficult decision to raise the HST. However, we are ensuring that New Brunswickers are protected through a tax credit that will benefit low- and middle-income families.

Mr. Speaker, the Premier made it clear during the last election campaign that an increase to the HST would be a last resort. When we completed our review of the books, it was clear that there would be no way to lay the foundation we need without an HST increase or significant cuts to education and health care. New Brunswickers made it clear that they do not want deep cuts in education and health care.

So, although we will never see everyone agree on the steps we take to right our fiscal situation, there is general consensus that an increase to the HST is the best alternative to introducing deep cuts to essential public services such as health care and education.

Mr. Speaker, effective July 1, 2016, the provincial portion of the HST rate will increase by two percentage points from eight per cent to 10 per cent, raising the joint federal-provincial HST rate from 13 percent to 15 per cent.

New Brunswick will now have the same HST rate as Nova Scotia and a rate that is only slightly higher than Quebec's combined rate of 14.975 per cent. This change will generate in the order of $300 million annually and returns the combined federal-provincial rate to the level it was between 1997 and 2006. Many New Brunswickers will remember when the GST was first introduced in 1991 at seven per cent; the provincial sales tax was 11 per cent.

Most economists agree that raising consumption taxes like the HST does less economic harm than raising other taxes. Importantly, daily necessities such as basic groceries are exempt from the HST.

To lessen the impact of an HST increase and make it more progressive, a refundable provincial HST credit of $300 for individuals, $300 for spouse or equivalent, and $1 OO per chi Id under the age of 19 will be provided. Single parent families will receive a $300 credit for their first child. A scheduled minimum wage increase, effective April 15\ will further mitigate the impact of the HST increase.

The full HST credit will be provided to New Brunswickers with a family income of less than $35,000 per year. The credit will be reduced by two cents for every dollar of income above $35,000 per year. This will mean that individuals with income of less than $50,000 per year, or a family of two adults and two children with income of less than $75,000 per year could receive some benefit from the HST credit.

This credit is designed to protect low-to-middle income households and will return approximately $100 million to New Brunswickers.

**Other Revenue Measures**

Mr. Speaker, during the Strategic Program Review public sessions, New Brunswickers had no shortage of ideas on how to raise revenue. Sometimes there was broad agreement and some ideas stimulated debate. New Brunswickers made it clear that we could not restore balance to our finances exclusively through spending cuts. Revenue measures had to be part of the solution.

Given that we have asked New Brunswick households to pay more through an HST increase, it is only fair to ask New Brunswick businesses to pay more as well. The general corporate income tax rate will increase from 12 per cent to 14 per cent - a rate matching that of Newfoundland and Labrador, yet still below Nova Scotia and Prince Edward Island. Businesses currently paying only the small business income tax rate will be unaffected by this increase.

Tobacco taxes are imposed to discourage smoking and help pay for the additional costs smoking imposes on our health system. New Brunswick has the lowest tobacco tax in Atlantic Canada and the third lowest in the country. Only Quebec and Ontario are currently lower.

The tax rate that is applied to tobacco products in New Brunswick will be increased by 6.52 cents per cigarette or gram of loose or fine cut tobacco over the next two years. This will eventually bring the tax rate from 19 cents to 25.52 cents, the same rate as Nova Scotia. An initial increase of 3.26 cents will be effective midnight tonight and will bring the tax rate to 22.26 cents per cigarette or gram of loose or fine cut tobacco. A second increase of 3.26 cents will be effective next year on February 1, 2017.

Additional revenues will be found by disrupting the sale of contraband tobacco and increasing the fines associated with the illegal trade of tobacco. It is estimated that a reduction of one percentage point in the illicit tobacco trade would increase taxes collected by government by $1 million annually.

This is why government is establishing a dedicated enforcement unit to actively identify and investigate individuals involved in illegal activities; to primarily disrupt and dismantle smuggling networks; and to recover the tax lasses linked to the trade of contraband tobacco.

The real property transfer tax is a one-time payment on the purchase of a property when the deed is registered. Effective April 1, 2016, the real property transfer tax will increase from 0.5 percent to one percent. Based on the average house price of $164,000 in New Brunswick, this change represents an extra $820 in tax on the sale of a home, yielding $10 million in revenue in 2016-2017. Even with this increase, New Brunswick's real property transfer tax will remain among the lowest in the country.

Mr. Speaker, in addition to the revenue measures introduced as a result of Strategic Program Review, our government is making a number of other changes to our tax system.

The federal government has introduced a new top marginal income tax rate of 33 per cent for taxable income over $200,000, effective January 1, 2016. Given this development, our government, retroactive to January 1, 2016, is eliminating the top marginal persona! income tax rate of 25. 75 per cent and lowering the rate from 21 per cent to 20.3 per cent for taxable income over $150,000. Beginning January 1, 2017, indexation of this income bracket will be consistent with all other income brackets in New Brunswick.

The richest one per cent of income earners will continue to pay a significantly higher rate than they did in 2014 when the top provincial tax rate was 17.84 per cent.

For incomes greater than $150,000, the combined federal-provincial rate will be 49.3 percent for 2016, while incomes greater than $200,000 will see a combined

rate of 53.3 per cent for 2016. This compares to a combined rate of 46.84 per cent for bath income levels in 2014.

Mr. Speaker, we are also making changes to the *Financial Corporation Capital Tax Act* to increase the financial corporation capital tax rate from four per cent to five percent for banks, effective April 1, 2016.

ln total, today's budget includes revenue measures that will generate in excess of $230 million annually once fully implemented.

While there was clear interest from New Brunswickers in introducing tolls, we believe consumers can only afford one of an **HST** increase or highway tolls. As tolls would produce only a fraction of the revenues necessary to protect education and health care, we did not choose this option. Moreover, there was little consensus on where the tolls should be placed and which types of tolls should be used. Also, the additional revenue we need today would not be realized for another 18 to 24 months due to planning and construction time.

**Balanced Choices**

Mr. Speaker, New Brunswickers have been engaged over the past year in the development of this budget. Their input was heard and is well reflected in the measures we have introduced today.

New Brunswick's student population has been on a steady decline since 1991. However, spending on our children is an investment. They are the leaders of tomorrow and investing in a quality education pays dividends for generations to come. Imagine cutting our education spending in the order of $200-$300 million. What kind of education would that leave our children with?

Consider the pressures we currently face in our health care system, where wait times can be significant, many of our facilities are at capacity and demand continues to rise. Now imagine the pressures our health system would face if we tried to do the same work with $200-$300 million less.

New Brunswickers have made it clear that deep cuts in education and health care would not be accepted. Rather, they have indicated that they are willing to pay for the important services they use. However, they also expect us to manage our spending wisely. This is why we have introduced a number of measures to improve efficiency, eliminate waste and improve the way government works.

Last November, **1** provided an update of our 2015-2016 fiscal position. At that time we showed a $23.7 million improvement in our deficit over our initial budget expectations, projecting a $453.1 million deficit. Developments since November have led to a revised deficit figure for 2015-2016 of $466.4 million.

Revenues are now expected to be down $12.4 million from budget; a deterioration of $49.5 million from second quarter.

Major variances since our second quarter update include a $51 million decline in **HST** related to negative prior-year adjustments and a $45 million decline in net income from **NB** Power related to milder weather, unforeseen outages and natural gas costs. We have also seen deterioration in corporate income tax and royalty revenue. These have been partially offset by higher revenues in persona! income tax as well as gasoline and tobacco taxes.

Expenditures are now expected to be up $27.2 million from budget with disaster assistance costs and other revenue-offset items contributing to the increase.

For the upcoming fiscal year we are projecting a deficit of $347 million.

Revenues will now reach $8.719 billion in 2016-2017, a 5.1 percent increase over revised 2015-2016 estimates. Much of this increase is related to revenue measures being introduced today and negative one-time prior-year adjustments in 2015-2016. ln the absence of these factors, revenue growth is in the order of 2.3 percent.

Expenses will increase by 3.5 per cent over revised 2015-2016 estimates, representing an increase of $303.8 million, because of regular operational expenditure growth, investments in new initiatives and some one-time events.

The multi-year plan we are introducing today strikes a balance between measures that increase revenues and those that help manage our expenditures while preserving services. The plan is founded on a prudent economic forecast and modest revenue projections, including revenue measures announced today. Our spending plan reflects Strategic Program Review decisions and the continued responsible management of annual growth pressures.

The measures outlined in our plan reflect the values we share as New Brunswickers and establish a foundation for our future - a future that sees balanced budgets that create opportunities to invest in economic growth, job creation and providing quality services to New Brunswickers.

**The Future**

From here through the remainder of our mandate, our government will be focused on New Brunswick's priorities of jobs, education and health care.

To do so will not be easy and government will need to remain prudent and focused. We have seen global events lead to new challenges for the Canadian economy as previous growth leaders such as Alberta and Newfoundland and Labrador are now facing economic challenges.

ln 2016, the Department of Finance expects real GDP growth of 0.4 per cent. Economic activity is expected to be tempered by demographic realities, private sector investment, fiscal measures and the recently announced suspension of operations at the Picadilly mine. Over the medium-term, external demand from our major trading partners, and private and public sector investment will continue to support growth.

But, thanks to the strong foundation we have built through Strategic Program Review, we will have the means to invest in our priorities. And we are optimistic that this plan will help us exceed current economic growth projections.

Through the Education and New Economy Fund, we will invest in projects that lead to the conditions we need to create jobs and prosperity for New Brunswickers.

With the significant contribution of New Brunswickers, we have developed a plan that will meet our objectives of returning to balance in a way that respects our values.

Today's budget establishes the foundation for our future - a future that will lead to sustainable budgets that support the necessary investments in jobs, education and health care.

We are building a smarter and more responsive government that engages New Brunswickers, while remaining focused on reflecting the values and needs of New Brunswickers now and into the future.

Today's plan does just that. ln this budget we are following Nelson Mandela's advice in ensuring our choices reflect our hopes, not our fears.

Thank you, Mr. Speaker.