

A large, decorative blue arc that spans across the middle of the page, starting from the left edge and ending at the right edge, with a slight curve. It consists of two parallel lines, one in a darker blue and one in a lighter blue.

**2020–2021**

**Pre-Budget Consultation**

**Department of Finance and  
Treasury Board**

## **2020–2021 Pre-Budget Consultation**

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Think Recycling!

## Pre-Budget Consultation 2020–2021



Over the last year, we have taken several steps toward establishing sustainable balance to our finances, identifying priorities, and delivering good value for money. We have acted with urgency and have faced our challenges head-on. This involved making some difficult decisions and we recognize that there are more difficult decisions to come.

Our capital spending is now at a level we can afford, and we are projecting a budget surplus in 2019–2020. Taken together, these steps have put us on track to see a decline in net debt for the first time in 13 years.

While we can be proud of our progress to date, we must continue to build toward a better tomorrow. Our level of debt remains much too high and represents a burden to future generations.

Responsible management of public finances is not a one-year exercise.

We are seeing challenges that limit our ability to deliver important services that New Brunswickers deserve and expect. For example, temporary closures are becoming all too common and are limiting New Brunswickers' access to important health care services.

Simply spending more money will not solve our problems. There can be no doubt, the status quo is no longer an option.

Budget 2020–2021 is about building on the progress we have made so far. It is about remaining consistent in our approach and establishing a strong foundation that will benefit our children and grandchildren.

We all have a role to play in building a better future and I look forward to engaging New Brunswickers as we develop the 2020–2021 Budget.

A handwritten signature in blue ink that reads "Ernie L. Steeves". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Hon. Ernie L. Steeves

Minister of Finance and Treasury Board

## Energized private sector

Over the last decade, New Brunswick has largely relied on the public sector for economic growth. Job growth, investment and real GDP growth have all been largely supported by the public sector. This is not sustainable, and it will not lead to positive economic results.

There remain several challenges that, if faced head-on, can change the growth path the economy is currently on. However, it will take ongoing and focused effort to improve growth in the province.

While our population has recently hit an all-time high, an aging population is limiting economic growth potential.

Despite recent modest improvements, there are currently 6,700 fewer participants in the labour market today than there were in 2008. This means thousands of fewer people working, spending and supporting public services in the province.

It also means that employers are having a harder time finding qualified workers to fill open positions. Statistics Canada recently reported more than 10,000 vacant jobs in the province – a 34 per cent increase over the level seen in 2015. With this trend expected to continue, immigration and retention will

**“The province’s 10-year labour market outlook forecasts 12,000 job openings per year on average over the next decade. While immigration will help fill some of these job vacancies, it will need to be supplemented by investments into labour demand-reducing technology in order to meet the requirements of future economic growth.”**

**APEC – November 2019**

play an increasingly important role in sustaining economic growth.

An energized private sector also means a return to an investment climate that is led by the private sector. As a starting point, government has returned its capital spending to a sustainable level. In 2019, it is estimated that there has been a 1.7 per cent increase

in total capital investment as private sector gains more than offset the decline in government investment.

Government can support an energized private sector by enhancing tax competitiveness and reducing the regulatory burden that businesses face.

Combined, population growth, lower taxes and

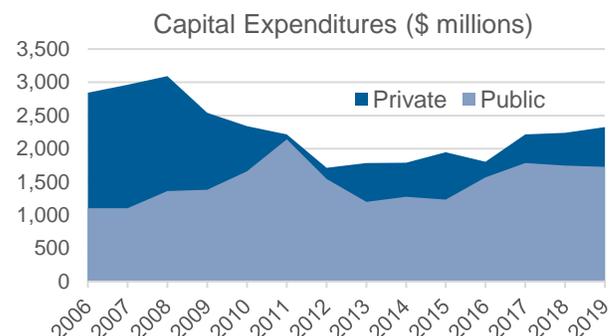
investment can accelerate economic growth. More people means fewer labour shortages, while investment can get the most out of the labour force through productivity gains.

While a growing population and increased private sector investment will contribute to improved economic outcomes, it will take ongoing focus and effort to deliver results. Under the status quo, economic growth forecasts continue to rank New Brunswick among the lower end of growth when compared to its provincial peers.

Led by an energized private sector, our collective challenge is to improve our growth prospects.



Statistics Canada Table: 14-10-0325-01



Statistics Canada Table: 34-10-0038-01

## Affordable and responsive government

Since taking office, government has acted with urgency to restore balance to our finances. Facing a downgrade in our credit rating required moving quickly and sending a clear signal that New Brunswick is managing its finances responsibly.

It would have been easy to ask for more time to better understand the state of the province's finances. Government did not do that.

By taking immediate action, government was able to avoid a downgrade. However, it was also warned that the province was still facing longer-term fiscal challenges. It quickly became clear that responsible management of public finances is not a one-year exercise.

While results to date are positive and show that New Brunswick is on track to meet its

fiscal objectives, we must continue to act responsibly, as it is normal, for example, to see revenue vary from budget. Should revenues be off by as little as one per cent, the fiscal impact would be approximately \$100 million and result in a quick return to deficit financing and further increases in net debt.

**“The outlook for provincial finances shifted meaningfully under the new government. During its first year in power, the government successfully balanced the budget and downsized its capital program, resulting in an improved debt outlook. Nevertheless, the province continues to face longer-term fiscal and demographic challenges, particularly an aging population and a relatively high tax burden.”**

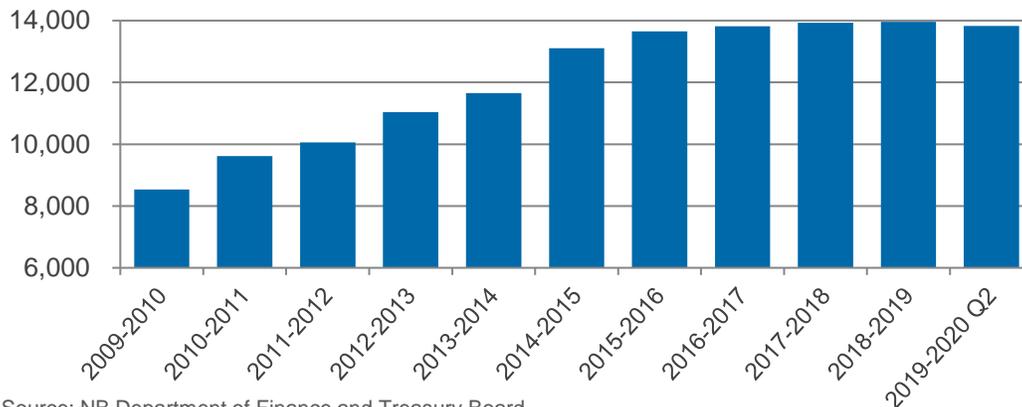
*DBRS – October 2019*

The multi-year fiscal picture shows the ongoing challenge of balancing our finances while also delivering the high-quality services that New Brunswickers expect. Growth in our tax base remains modest, while demand for

services continues to increase.

Sustainable public finances can send a clear message that New Brunswick lives within its means. It can also provide financial flexibility to address spending pressures or to improve the competitiveness of the New Brunswick tax system.

Net Debt (\$ millions)



Source: NB Department of Finance and Treasury Board

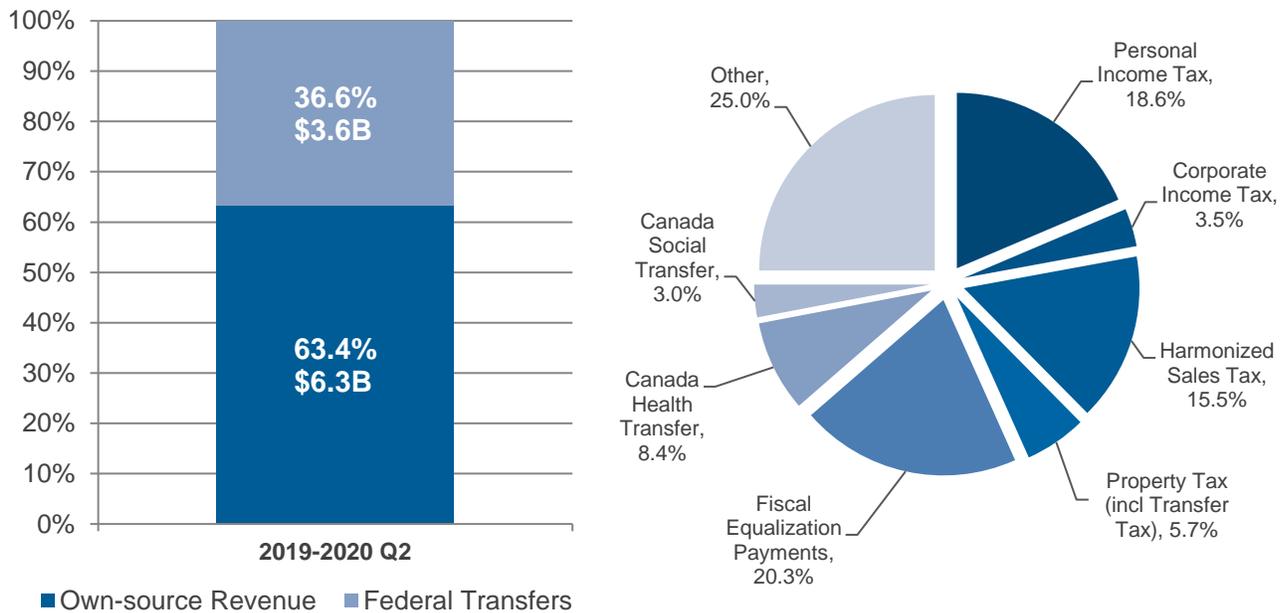
## Where the money comes from: 2019–2020

It is important to know where the revenue that finances our public services comes from.

For 2019–2020, provincial revenues total an estimated \$9.95 billion.

Own-source revenue represents 63.4 per cent of government revenues. This includes revenues from taxation, natural resources, fees, return on investment, lotteries, and fines and penalties.

Federal transfers comprise the remaining 36.6 per cent. The federal equalization program is the largest revenue source. Other major federal transfers include the Canada Health Transfer and the Canada Social Transfer.



Source: NB Department of Finance and Treasury Board

# Where the money goes: 2019–2020

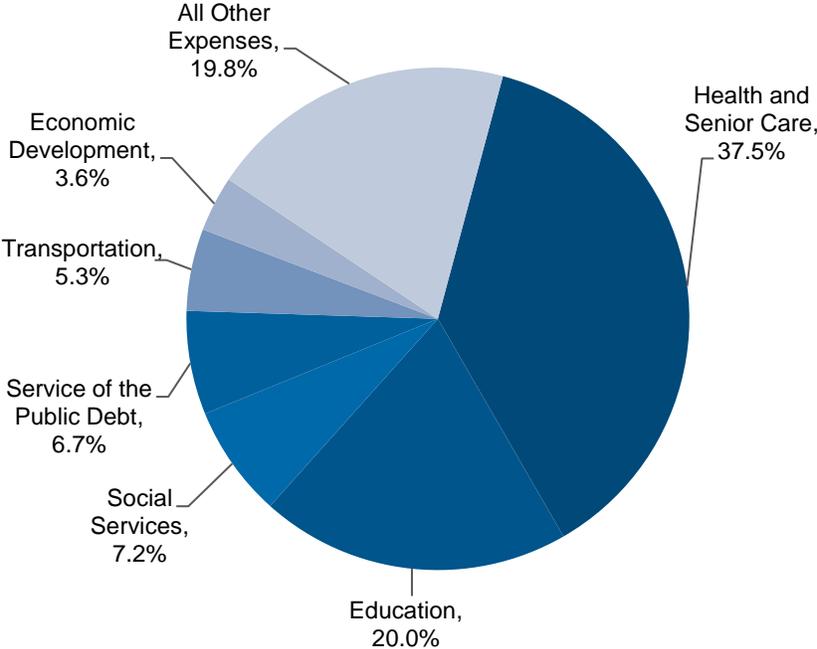
Managing our spending closely and focusing our investments on priority areas play an equally critical role in returning balance to our finances.

For 2019–2020, provincial expenditures total an estimated \$9.86 billion.

Health and Senior Care, and Education represent the two largest expenditure areas for the province. Combined, they represent approximately 57.4 per cent of our spending. Including spending on Social Services, almost two out of every three dollars are spent on Health and Senior Care, Education and Social Services.

Service of the public debt, at almost \$658 million for 2019–2020, is also one of our larger expenditure items. This cost can be influenced, not only by borrowing requirements but also by variables such as credit ratings, interest rates, financial markets and currency fluctuations, and are outside of the direct control of government. By eliminating the deficit and restoring balance to our finances, we can mitigate the influence these outside factors can have on the public debt servicing cost.

Longer-term, lowering the cost of servicing the public debt also opens the potential to generate improvements to our bottom line while also maintaining public services.



Source: NB Department of Finance and Treasury Board

## Considerations for 2020–2021 and beyond

As has been demonstrated over the last year, progress can be made in managing our finances responsibly while also delivering high-quality public services to New Brunswickers. However, we will always be challenged to do better.

Given the economic and demographic challenges facing our province, we must continue to act responsibly and engage New Brunswickers in establishing priorities and managing our finances sustainably. While we must address today's needs, it is also our collective responsibility to build a better future for our children and grandchildren.

As we consider the 2020–2021 Budget, government wants to hear from New Brunswickers on how best to achieve this goal of balancing our finances, addressing today's needs, and building a better future. Through this year's pre-budget consultation, New Brunswickers are invited to share their views on the issues and opportunities facing our province and how best to address them.

- What are the most important issues when it comes to providing dependable public health care?
- What opportunities are there to provide a world-class education to our children?
- How can the private sector be energized?
- What does a vibrant and sustainable community mean to you?
- What opportunities exist to improve the value for money in the delivery of government services?
- What steps should be taken to reduce the province's \$14-billion net debt?

## Feedback and suggestions

Online at:

<http://www.gnb.ca/finance>

By mail:

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**Deadline is February 25, 2020**