



2016-2017 New Brunswick Budget Review

Greater Moncton Chamber of Commerce
Saint John Region Chamber of Commerce
Fredericton Chamber of Commerce

After a 14 month “strategic program review” the New Brunswick government delivered its much-anticipated second budget on February 2, 2016. Our chambers of commerce are providing this highlight summary to our members to help them understand what is in the 2016-17 budget and what it means for the business community generally.

Of the government’s six ‘major’ (based on dollar value associated with them) choices that were being considered, they chose to raise HST and corporate income tax while cutting senior civil servants by 30%. They did not cut Healthcare or Education and chose to not install tolls in this budget, saying they didn’t think that New Brunswickers were in a position to handle both an HST increase and tolls.

Here are some of the highlights of the budget of interest to the business community.

Key Numbers

Deficit & Debt - In all, the government says that through the strategic program review (and previously implemented measures) they are implementing \$296 million in spending cuts and \$293 million in increased taxes and fees. Despite these measures, the government is still only projecting a balanced budget by 2020-21 fiscal year, including a \$347 million deficit in 2016-17 - nearly \$1 million per day.

Population Growth Division (Department of Post-Secondary Education, Training and Labour) - PGD is the branch of government responsible for growing the population - including administering immigrant services. They are seeing a budget increase from \$4 million to \$5.7 million. Attracting and retaining newcomers is a key priorities for our chambers - as evidence by our Business Immigrant Mentorship Programs and other activities. New Brunswick is currently capped at 650 immigrants per year under the Provincial Nominee Program and the provincial government has been lobbying Ottawa to increase that number to 1500. If approved, these additional funds will be critical to servicing the increase in newcomers.

Opportunities NB - As ONB continues to get its feet under itself, it only spent \$38.5 million in 2015-16 on a budget of \$50.8 million. It is earmarked for \$46.4 million in 2016-17 as ONB continues to organize.

The Department of Tourism, Heritage and Culture has seen its budget drop by about \$3 million while the government has also decided to close two visitor information centres.



Taxes

As expected, several taxes were increased to raise revenue for the province and presumably address the deficit:

- The Harmonized Sales Tax will be increased from 13 to 15% - tied for the highest sales tax of any province in the country;
- The Corporate Income Tax will be increased from 12 to 14% - which will be the third highest, trailing only Nova Scotia and Prince Edward Island;
- The Tobacco Tax will increase from 19 cents per cigarette to 25.52 cents (the government also estimates that the province already loses \$100 million in revenue annually in contraband tobacco);
- The real property transfer tax will double from 0.5% to 1.0%; and
- The financial corporation capital tax rate will increase from 4 to 5 %.

Additionally, the government is eliminating the top personal income tax bracket for income over \$200,000 and reducing the rate on income of over \$150,000 from 21 to 20.3%. It is still hard to see this as good news given that the Province's stated reason for doing so is due to the federal rate increasing 4% in the coming federal budget and despite the reduction, it also means only Quebec and Nova Scotia will have a higher rate.

Perhaps most surprisingly, a small business tax rate reduction was not announced, although government officials have assured us that it is included in the overall numbers and an announcement is shortly forthcoming. The government is promising to lower the rate to 2.5% by the end of their mandate (from 4.5%). One of their first decisions after taking office in October 2014 was to lower the rate to 4.0%, where it has stagnated.

Civil Service Reductions

The government has already reduced the number of deputy ministers by 30% and plans to reach that same benchmark for senior managers by March 31, 2016. They also plan to reduce the size of middle management over the next five years by 30%. While these reductions may be necessary and we look forward to a more efficient and reorganized government, these cuts will have a disproportionately negative effect on the province's three cities where the majority of these positions are located. This is problematic for the entire province since it will result in an economic slowdown in the parts of the province where most economic activity and wealth creation is happening.

Partnerships

The government plans to establish an Alternative Service Delivery unit within the Department of Finance to examine what services could better be delivered through the private sector. As a first step



the government will pursue partnerships with private sector organizations for the management of the following registries: Real Property Registry, Motor Vehicle Registry and Corporate Registry. These will provide direct opportunities for business, but also may be seen as pilot projects to further expand this process.

Summary

It would be hard to call the 2016-17 New Brunswick budget “business friendly”. Cuts were made, taxes went up and we are still not expecting a balanced budget this decade. By that time our debt will approach \$15 billion on a provincial budget of about \$9 billion. We need economic growth to have any chance of climbing out of this hole. We are anticipating the government articulating its vision to create the conditions for this growth in the coming weeks and months. We look forward to continuing to work with government and other stakeholders to ensure that the voice of business is heard and is a key part of this vision.

The Greater Moncton, Saint John Region and Fredericton Chambers of Commerce have nearly 3,000 members. We are also active members of the Atlantic and Canadian Chambers of Commerce as part of the largest business network in the country.