

New Brunswick Budget 2020

March 2020

Stay the course budget

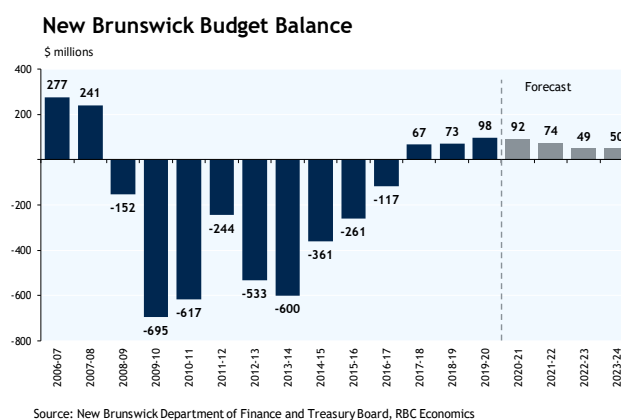
- Small surpluses will continue through the four year fiscal plan
- Health (3%) and education (4%) ministries will see biggest spending increase in FY 20/21
- Tax breaks provided to corporations and some home owners
- Net-debt-to-GDP set to decline over the four year plan
- Risks to the fiscal plan are likely given current economic headwinds

Overview

In their second budget tabled today, the Conservative Government continues to project surpluses through the four year fiscal plan. With a focus on debt reduction, delivering services to high priority areas and putting money back in the pocket of New Brunswickers, this is a stay-the-course budget with limited new measures. The surplus also increased by \$74.6 million for FY 19/20 to \$97.8 million, due to higher personal income tax revenues as well as additional federal funding under the gas tax transfer. Additionally, the net debt is expected to decline by \$530 million over the forecast horizon. Expenditure growth will be slightly faster (2.3%) than revenues (2.1%) on average over the next four years, and with no contingency funds set aside any economic headwinds (including the COVID-19) may pose a threat to their plan. And hence, while we commend the government for focusing on fiscal sustainability, in the current environment we see downside risks to their forecast. No details apart from the overall revenue and expenditure numbers were provided for any of the years beyond the current fiscal year. Another thing to note is that given that this is a minority government, the budget needs a vote of confidence and hence there is a chance it may not get passed.

Some tax breaks for corporations and (second) home owners

Revenues are set to grow by 3.4% in FY 20/21 as a result of increases in both own source revenues and federal transfers with the latter contributing much more to growth. Fiscal equalization payments are expected to rise 9% with New Brunswick expected to receive the most amount paid to a province per capita. On the own source revenue side, the carbon pricing plan (effective April 1, 2020) will provide a bit of a boost while corporate income taxes are expected to increase by 11%. Some of the revenue measures include a reduction of a “double-tax” on cottages, apartments and second homes by 50% starting in 2021 – this was one of the campaign promises during the 2018 election. A reduction to commercial property taxes of 15% over four years has also been introduced. These tax reductions are expected to cost \$100 million. Social assistance rates are also set to rise from \$537 to \$564 per month for the first time since 2014, which will cost \$5.4 million.



Spending focused on health and education

Text = Expenditures will grow 3.5% in FY 20/21, with program expenditures growing even more (4%). Healthcare funding is expected to rise by 3% in FY 20/21 with initiatives like \$1.5 million dedicated to providing free flu shots, \$3.5 million towards recruiting more nurses, as well as \$5 million towards a rural incentive program to encourage physicians to practice in rural areas. Education funding will increase by 4% with funding focused on hiring more teachers (\$7.1 million), addressing demand for education assistants (\$6.1 million) as well as improving French language education in the province.

Economic growth assumptions				
	2019	2020	2021	2022-24
Real GDP growth (%)				
Budget 2020	0.8	1.2	0.6	0.8
RBC (Dec 2019)	0.7	1.0	0.8	
Nominal GDP growth (%)				
Budget 2020	2.8	3.7	2.6	2.7
RBC (Dec 2019)	2.4	2.5	2.3	

Source: NB Department of Finance and Treasury Board, RBC Economics

Stable capital plan

The capital plan will see spending of \$599.2 million in FY 20/21 and maintaining a similar level through the four year plan – a deliberate move by the government to be fiscally responsible. This investment will be focused on maintaining transportation and infrastructure networks, as well as improving healthcare facilities and schools.

Net debt to fall

The province's net debt is expected to fall by \$129.3 million in FY 20/21 to \$13.7 billion. The net-debt-to-GDP will decline from 37% in FY 19/20 (estimated in Budget 2019) to 34.7% in FY 20/21. By the end of the forecast horizon, net debt to GDP is set to decline to 32%, still the 4th highest among the provinces.

NB's consolidated fiscal plan						
(\$ millions)	Actual	Forecast				
	2019/20	2020/21	2021/22	2022/23	2023/24	
Total revenues	9,938.0	10,278.0	10,514.0	10,656.0	10,819.0	
Total expenditures	9,840.0	10,186.0	10,440.0	10,607.0	10,769.0	
Program spending	9,189.0	9,555.0				
Interest on public debt	651.0	631.0				
Revenue forecast allowance						
Surplus/(Deficit)	98.0	92.0	74.0	49.0	50.0	