

October 2023



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The Recovery of the New Brunswick Provincial
Government Fiscal Situation

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CSLS Research Report 2023-07

October 2023

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Abstract

This report examines how the New Brunswick provincial government has recovered from a fiscal situation filled with deficits and debt. New Brunswick has faced fiscal challenges for years. Debt was a worry for many before the 2008-2009 fiscal year. During this period the New Brunswick provincial government was never able to achieve budget surpluses for more than three consecutive years. This fear heightened after the financial crisis of 2008 when the provincial government ran budget deficits for nine consecutive fiscal years. Then, in 2017-2018 New Brunswick achieved its first budget surplus since the financial crisis and has run budget surpluses since. This report describes the trends of the fiscal situation in New Brunswick between 1990-1991 and 2021-2022 and explores how policy decisions regarding the revenues and expenditures of the provincial government have led to the recovery of the New Brunswick fiscal situation since 2009-2010. This report also analyzes the debate on how New Brunswick should move forward concerning their budget balance. Many say that New Brunswick's citizens currently need more government aid. Nevertheless, the best way to support New Brunswick's citizens is up for debate. Decreasing tax revenues or increasing program expenditure would both decrease the budget surplus and potentially help those living in New Brunswick. The overall findings indicate that the recovery of the New Brunswick provincial government fiscal situation was largely due to an increase in equalization payments and a decrease in expenditure in the province.

The Recovery of the New Brunswick Provincial Government Fiscal Situation

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The Recovery of the New Brunswick Provincial Government Fiscal Situation¹

Executive Summary

The New Brunswick provincial government has, in recent years, recovered from a fiscal situation filled with deficits and debt. New Brunswick has faced fiscal challenges for years. Debt has been a worry for many before the 2008-2009 fiscal year as during this period the New Brunswick government was never able to achieve budget surpluses for more than three consecutive years and were running large budget deficits between 1990-1991 and 1994-1995 and in 2002-2003 and 2003-2004. This fear heightened after the financial crisis of 2008 when the provincial government ran budget deficits for nine consecutive fiscal years, between 2008-2009 and 2016-2017. Then, in 2017-2018 New Brunswick achieved its first budget surplus since the financial crisis and has run budget surpluses since.

The goal of this report is to assess the fiscal performance of the New Brunswick provincial government between the fiscal years of 1990-1991 and 2021-2022. This report provides insight on how the province was able to recover its fiscal situation and achieve a budget surplus in 2017-2018. The first section of the report introduces the fiscal situation in New Brunswick and presents necessary contextual details on the experience in New Brunswick during the period studied. The second section assesses the revenues, which includes tax revenues and government transfers, in the New Brunswick budget throughout the period. The third section analyzes the expenditure, which includes program expenditure and debt charges, in the New Brunswick budget. The fourth section aggregates total revenues and total expenditure to study the budget balance in New Brunswick throughout the period. Then, the fifth section contemplates the future of fiscal trends in New Brunswick by considering the future demands of citizens in the province. Lastly, the sixth section explains the strategies used to recover New Brunswick's provincial fiscal situation from 2009-2010.

Key findings throughout the paper include the following:

The first section of the paper pertains an introduction to the fiscal situation in New Brunswick, as the New Brunswick provincial government has, in recent years, recovered from the fiscal situation of large deficits and consequently debt.

- Between 1990-1991 and 2021-2022 (the first and last year all data is available) New Brunswick was able to run a budget surplus for fifteen of the thirty-two years.
- Between 2008-2009 and 2016-2017 New Brunswick ran budget deficits for eight consecutive years.

¹ This report was written by Adriana Suuronen under the supervision of CSLS Executive Director Andrew Sharpe. This is one of a series of research report on the New Brunswick economy done as part of the CSLS-AIPR project on the future of New Brunswick. The author thanks Tim Sargent, Todd Selby, and Rod Hill for very useful comments. Email: csls.@csls.ca

- Between 2017-2018 and 2021-2022 New Brunswick has been able to achieve a budget surplus every year of the five-year period.

The second section of the report explains sources of revenue for the New Brunswick government. Total revenues have increased at a rate of 3.49 percent per year between 1990-1991 and 2021-2022 in New Brunswick, to reach a value of 11,391 million dollars in 2021-2022. Total revenues as a percent of GDP have decreased by 2.08 percentage points (from 28.44 percent to 26.73 percent) between 1990-1991 and 2021-2022 in New Brunswick. During the fiscal recovery, between 2009-2010 and 2021-2022 total revenues increased quickly, by 3.55 percent per year. Total revenues in New Brunswick are made up of federal transfers (37 percent of total revenue in 2021-2022) and own-sources revenues (63 percent).

- Federal transfers in New Brunswick can further be disaggregated into equalization payments (55 percent of the main federal transfers in 2021-2022), the Canada Health Transfer (CHT) (24 percent), and the Canada Social Transfer (CST) (8 percent).
- The CHT and CST are distributed to provinces on a per capita basis, but only five provinces receive equalization payments (New Brunswick, Prince Edward Island, Nova Scotia, Manitoba, Quebec). New Brunswick receives the second largest amount of equalization payments per capita in comparison to all other provinces.

The third section explores provincial government expenditure in New Brunswick. Total provincial government expenditure has increased at a rate of 3.11 percent per year between 1990-1991 and 2021-2022 in New Brunswick to reach a value of 10,614 million dollars in 2021-2022. Government expenditure as a percent of GDP has decreased by 4.82 percentage points between 1990-1991 and 2021-2022 (from 29.73 percent to 24.91 percent). Between 2009-2010 and 2021-2022 total expenditure as a percent of GDP has decreased by 2.15 percentage points. Total expenditure is made up of spending on health care (34 percent of total expenditure in 2021-2022), education (21 percent), social development (14 percent), other program expenditures (17 percent), and debt charges (6 percent).

- Growth of all components of total expenditure was lower in between 2009-2010 and 2021-2022 in comparison to the entire period.
- New Brunswick experienced the slowest absolute change of total expenditures as a percent of GDP between 2017-2018 and 2021-2022 in comparison to all provinces.

The fourth section aggregates total revenues and total expenditure to study the budget balance in New Brunswick throughout the period. Between 1990-1991 and 2021-2022 the budget balance as a percent of GDP has increased by 2.44 percentage points (from -1.30 percent to 1.15 percent). Between 2009-2010 and 2021-2022 the absolute change is even larger, 3.55 percentage points. New Brunswick was the only province in Canada that ran a budget surplus in 2020-2021, the first full years of the Covid-19 pandemic.

- In 1990-1991 New Brunswick had a budget balance of -179.0 million current dollars. The per capita budget balance was -242.0 current dollars. New Brunswick ranked third among all provinces with the third highest per capita budget balance.

- In 2009-2010, right after the financial crisis, New Brunswick had a budget balance of -695.2 million current dollars, The per capita budget balance was -927.4 current dollars. New Brunswick ranked second last among all provinces.
- In 2021-2022 New Brunswick had a budget surplus of 777.3 million current dollars. The per capita budget surplus was 633.7 current dollars. New Brunswick ranked first among all provinces with the highest per capita budget surplus.

The fifth and sixth sections study the possible future steps that the New Brunswick provincial government could take. There is currently a debate on how New Brunswick should move forward concerning their budget balance. They have been achieving budget surpluses from 2017-2018 onward, but many say that New Brunswick's citizens currently need more government aid. Nevertheless, the best way to support New Brunswick's citizens is up for debate. Decreasing tax revenues or increasing program expenditure would both decrease the budget surplus and potentially help those living in New Brunswick with a higher after-tax income or the addition of government services. Although final data on exact revenues and expenditures are not available for 2022-2023, the New Brunswick budget can give insight into how the province is planning on moving forward. The 2023-24 budget was released in March 2023 and is a drastic shift from the budgets of the last three years. The expected surplus is small, only 40.3 million current dollars. This is due to an increase in be program expenditure.

- The Fraser Institute (2023) reports that with the current budget surpluses the New Brunswick provincial government could eliminate the provincial sales tax (PST) or lower income taxes by an average of 3,604 dollars per income-tax filer by 2032-2033 if revenue and expenditure growth persist.
- Others think that there should be an increase in program expenditure, and it might be necessary with an aging population, the need for health care improvements, and climate change. The auditor general of New Brunswick says that the current budget numbers for the province could be misleading if the unaccounted debt from NB Power and municipal governments are not included in the province's financial account (Martin, 2022).

The last section explains the strategies used by different provincial governments in New Brunswick to decrease the reach a budget surplus in 2017-2018. Three main periods are studied: 2009-2010 to 2014-2015; 2014-2015 to 2017-2018; and 2017-2018 to 2021-2022.

- Between 2009-2010 and 2014-2015 it was primarily an increase in own-sourced revenue which improved the budget balance.
- Between 2014-2015 and 2017-2018 it was a decrease in expenditure which contributed most to the increase in the budget balance.
- Between 2017-2018 and 2021-2022 it was an increase in equalization payments and a continued decrease in expenditure which led to large budget surpluses.

This report describes the trends of the fiscal situation in New Brunswick between 1990-1991 and 2021-2022 and explores how policy decisions regarding the revenues and expenditures of the provincial government have led to the recovery of the New Brunswick provincial government fiscal situation since 2009-2010.

The Recovery of the New Brunswick Provincial Government Fiscal Situation

I. Introduction to the Fiscal Situation in New Brunswick

The New Brunswick provincial government has, in recent years, recovered from a fiscal situation filled with deficits and debt. Between the fiscal years of 2008-2009 and 2016-2017, the provincial government ran large deficits and accumulated debt. Since the 2017-2018 fiscal year the New Brunswick government has achieved surpluses. In October 2018, when Premier Blaine Higgs and his Progressive Conservative Party came into power, they promised to eliminate these budget deficits and work towards repaying debts, which they have achieved through decreased expenditure and increased federal transfers.

New Brunswick has faced fiscal challenges for many years. Debt has been a worry for many before the 2008-2009 fiscal year as they were never able to achieve provincial budget surpluses consecutively for more than three years but were running large budget deficits between 1990-1991 and 1994-1995 and in 2002-2003 and 2003-2004.

This fear heightened after the financial crisis of 2008 after which the provincial government ran budget deficits for nine consecutive years. New Brunswick was highly impacted by the financial crisis due to their high level of exports as a percent of GDP. After the financial crisis, the government adopted a Keynesian approach to try to improve the economy, which meant increased program expenditure. This led to large deficits for many years after the 2008 financial crisis (Saillant and Emery, 2019). At the same time, the growth rate of federal transfers and equalization payments was decreasing. This added to the budget deficit, and consequently the debt, because these federal transfers were not able to pay for the growth in expenditures during this period (Murrell and Fantauzzo, 2014).

New Brunswick also has a much higher percentage of baby boomers than Canada as a whole. 29.1 percent of New Brunswick's population is baby boomers, whereas in Canada the percentage is only 24.6 percent (Saillant and Emery, 2020). This has led to much slower growth of the labour force in New Brunswick in comparison to nationally in the last decade because many of these baby boomers left the workforce. This has been apparent in the slow growth of real GDP from 2010 to 2017 in New Brunswick of 0.74 percent per year in comparison to Canada's growth of 1.81 percent per year (Saillant and Emery, 2020).

Since 2018 the New Brunswick provincial government has changed its fiscal stance. It has achieved a budget surplus every fiscal year between 2017-2018 and 2021-2022. It was the only province during the Covid-19 pandemic that was able to achieve a budget surplus due to low expenditure. This is a large difference from the decade before this.

There is now a debate on how New Brunswick should move forward. The province is achieving record-high budget surpluses and rapidly reducing its debt. That being said, there are many critics who claim that too much money is being saved. They say that the province is not

adequately helping those who are struggling to find housing or access healthcare (Jones, 2023). The healthcare system in New Brunswick is currently struggling, as is healthcare around Canada, and with extra funds, people question whether it is the best time to save this large amount of money.

The goal of this report is to assess the fiscal performance of the New Brunswick provincial government between the fiscal years of 1990-1991 and 2021-2022, as 2022-2023 data is not yet available. This report provides insight on how the province was able to recover its fiscal situation and achieve a budget surplus in 2017-2018. The first section of the report introduces the fiscal situation in New Brunswick and presents necessary contextual details on the experience in New Brunswick during the period studied. The second section assesses the revenues, which includes tax revenues, government transfers, and other own-sourced revenue, in the New Brunswick budget throughout the period. The third section analyzes the expenditure, which includes program expenditure and debt charges, in the New Brunswick budget. The fourth section aggregates total revenues and total expenditure to study the budget balance in New Brunswick throughout the period. Then, the fifth section contemplates the future of fiscal trends in New Brunswick by considering the future demands of citizens in the province. Lastly, the sixth section explains the strategies used to recover New Brunswick's provincial fiscal situation from 2009-2010.

II. Total Revenues in the New Brunswick Budget

Government total revenues include all collected revenues by a government that can be used to fund programs and repay debts. Total revenues are comprised of three components. First, taxes revenues include all income the government receives through personal income tax (PIT), corporate income tax (CIT), and retail sales tax (RST). Second, federal transfers provide provincial governments with funding to support public services from the federal government. Last, other own-sourced revenue includes anything not involved in the other two sections. Some common examples include investment income and health insurance premiums.

A. Tax Revenue

As mentioned, tax revenues are made up of three types of taxes. First, the personal income tax is collected from individuals' salaries and other types of income. Second, the corporate income tax is on the profits made by a corporation. Finally, the general sales tax is on goods and services that are purchased.

Total tax revenues in New Brunswick have increased at a rate of 3.30 percent per year between 1990-1991 and 2021-2022. In 1990-1991 tax revenues were 1,380 million dollars.² By 2021-2022 tax revenues have increased to 5,530 million dollars.³ In the first sub-period, between 1990-1991 and 2000-2001, total tax revenues experienced an increase, then a decrease (Chart 1). This led to a growth of 2.36 percent annually. Then, between 2000-2001 and 2008-2009 growth was faster, at 4.60 percent per year. Between 2008-2009 and 2017-2018 tax revenues continued

² All variables are presented in their nominal value, not inflation adjusted.

³ Data for the fiscal year 2021-2022 in New Brunswick is from the New Brunswick Financial Statement of 2022 (<https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>).

to grow quickly at 3.83 percent per year. Lastly, between 2017-2018 and 2021-2022 tax revenues increased more slowly, at a rate of 1.43 percent per year.

Total tax revenue as a percent of GDP has decreased by 1.3 percentage points between 1990-1991 and 2021-2022.⁴ Between 1990-1991 and 2000-2001 the absolute decrease was 1.7 percentage points. Then, between 2000-2001 and 2017-2018 the absolute increase was 1.4 percentage points. Finally, between 2017-2018 and 2021-2022 there has been a decrease of 1.1 percentage points.

Personal income tax (PIT) revenues have experienced similar trends to the trend of total tax revenue. Between 1990-1991 and 2021-2022 revenues have increased by 3.38 percent per year. As a percent a percent of GDP, PIT revenue between 1990-1991 and 2020-2021 has not experienced any change with a value of 4.91 percent.⁵ As the PIT has the largest share of total tax revenues with 50.3 percent in 2021-2022, the growth in this component has largely influenced the growth of total tax revenues.

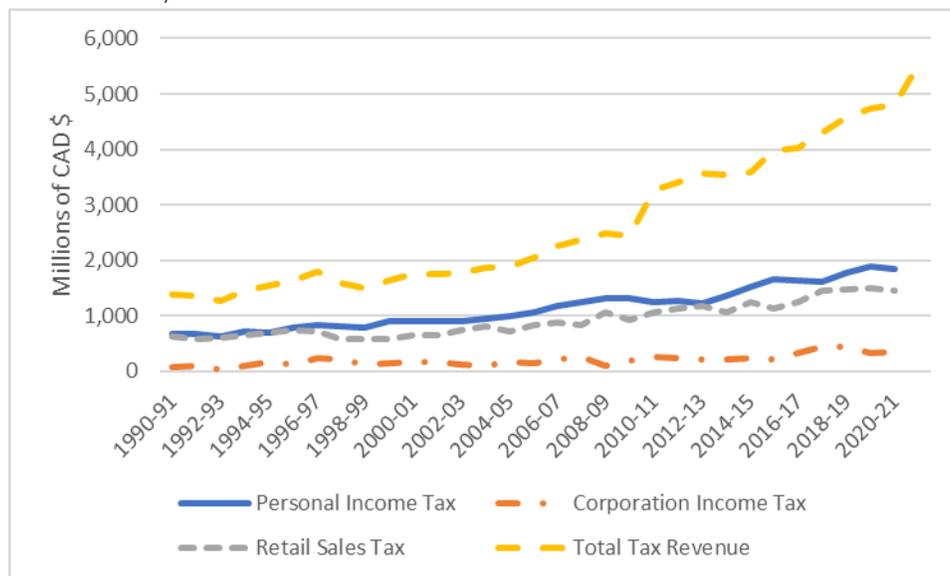
Corporate income tax (CIT) revenues have been a little more volatile throughout the period. Between 1990-1991 and 2021-2022 these revenues have increased by 5.16 percent per year. As a percentage of GDP, between 1990-1991 and 2020-2021 the absolute increase in CIT revenue was 0.38 percentage points (from 0.56 percent to 0.94 percent). During the first and second sub-periods CIT revenues have experienced strong growth. Between 1990-1991 and 2000-2001, CIT revenue as a percent of GDP increased by 0.29 percentage points; then, between 2000-2001 and 2017-2018, corporate tax revenue as a percent of GDP increased again by 0.37 percentage points. This trend changed between 2017-2018 and 2021-2021 when CIT revenues as a percent of GDP decreased by 0.29 percentage points.

Retail sales tax (RST) revenues have increased at a rate of 2.88 percent per year between 1990-1991 and 2021-2022. RST revenues as a percent of GDP have experienced a decrease of 0.62 percentage points (from 4.52 percent to 3.90 percent). Most of the decrease of the RST revenues as a percent of GDP was between 1990-1991 and 2000-2001, where the absolute decrease was 1.39 percentage points. Between 2000-2001 and 2017-2018 RST revenues as a percent of GDP increased by 0.93 percentage points. Recently, between 2017-2018 and 2020-2021, the percentage point decrease has been 0.15 percentage points.

⁴ GDP estimates are based on calendar year estimates (first nine months of fiscal year).

⁵ Data on the sub-components of tax revenues (personal income tax, corporation income tax, and retail sales tax) are only currently available until 2020-2021.

Chart 1: Tax Revenues and its Sub-Components for New Brunswick, 1990-1991 to 2020-2021 (millions of CAD dollars)



Source: New Brunswick Fiscal Database 2023, Table 35

An important contributor to tax revenue is the tax rates. For example, the RST rate fell from 11.0 to 8.0 percent between 1990 and 2000 (Table 1). The RST revenues follow this trend with decreases in revenue. The corporate income tax did not follow this trend at all. Between 1990 and 2021 all three corporate income tax rates fell, but tax revenues increased quickly throughout the period.

Table 1: Tax Rates for New Brunswick, 1990, 2000, 2008, 2015, 2021

| | Top PIT Marginal Tax Rate | RST | CIT Low Rate (income below 500,000 dollars) | CIT General |
|------|---------------------------|------|---------------------------------------------|-------------|
| 1990 | 17.4 | 11.0 | 9.0 | 16.0 |
| 2000 | 18.3 | 8.0 | 6.0 | 17.0 |
| 2008 | 18.0 | 8.0 | 5.0 | 13.0 |
| 2015 | 25.7 | 8.0 | 4.0 | 12.0 |
| 2021 | 20.3 | 10.0 | 2.5 | 14.0 |

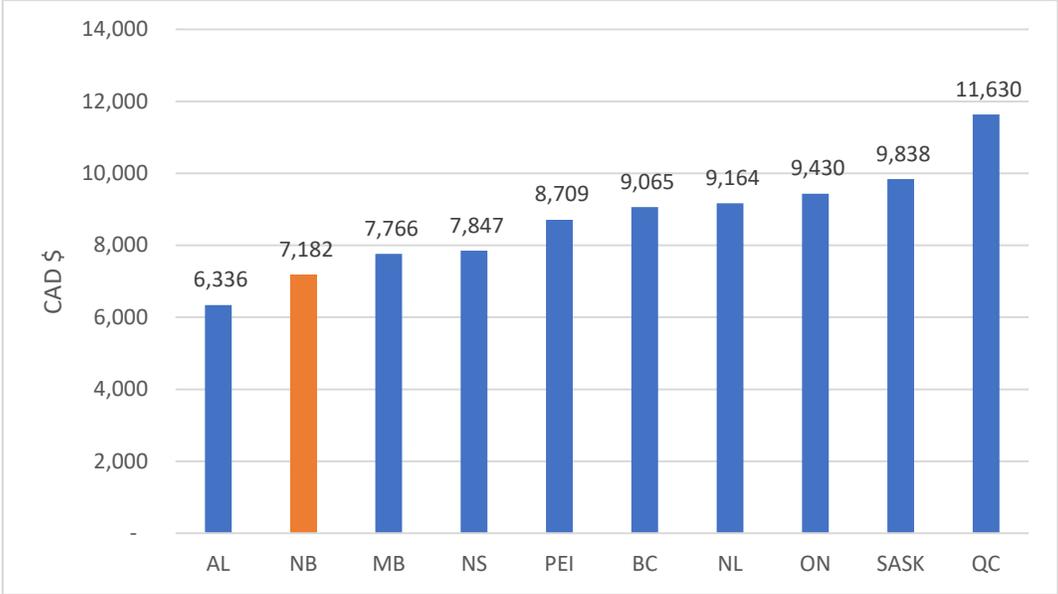
Source: New Brunswick Fiscal Database 2023, Table 39

New Brunswick ranks second last in 2021-2022 for total tax revenues per capita with a value of 7,182 dollars (Chart 2).⁶ Alberta is by far the lowest with a value of 6,336 dollars. This is largely because they do not have a GST and its PIT is the second lowest of all provinces. Quebec has the largest total tax revenue with a value of 11,630 dollars. Quebec has both the highest PIT rate and RST rate.

⁶ When comparing New Brunswick to other provinces, values for New Brunswick are taken from the New Brunswick 2021-2022 budget (<https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>), whereas numbers for other provinces are taken from the 2022 fiscal references tables (<https://www.canada.ca/content/dam/fin/publications/frt-trf/2022/frt-trf-22-eng.pdf>).

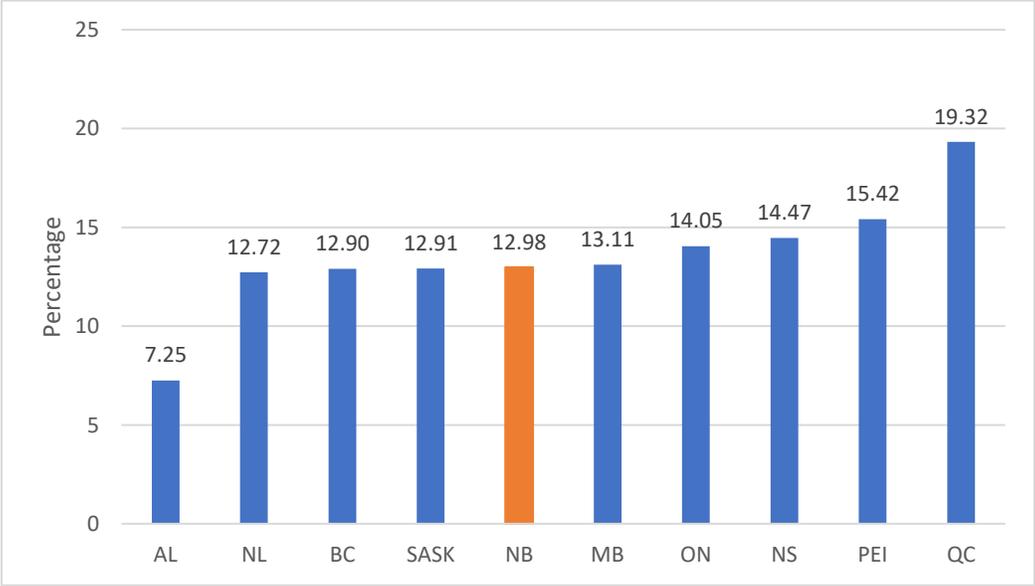
Total tax revenue as a percentage of GDP in New Brunswick ranks sixth highest with 1412.98 percent. Two provinces act as outliers in this category. Alberta has a very low percentage of 7.25 percent because its tax revenues are low, although its GDP is quite high. Quebec has the highest percentage of 19.32 percent because of its extremely high absolute value of tax revenues.

Chart 2: Total Tax Revenues per Capita by Province, 2021-2022
 Panel A: Absolute Value



Source: New Brunswick Fiscal Database 2023, Table 5

Panel B: As a Percentage of GDP



Source: New Brunswick Fiscal Database 2023, Table 5 and Table 33

B. Federal Transfers

Federal transfers are funds from the federal government to help provincial and territorial governments run programs. The major federal transfers include the Canada Health Transfer (CHT), the Canada Social Transfer (CST), and Equalization payments. The CHT and CST support policy areas. They are provided to provinces and territories on an equal and per capita basis, no matter the province's relative performance. Equalization payments are given to provinces that are less prosperous and are indexed to nominal GDP. The goal is for these provinces to be able to provide services of similar quality to richer provinces (Government of Canada, 2019).

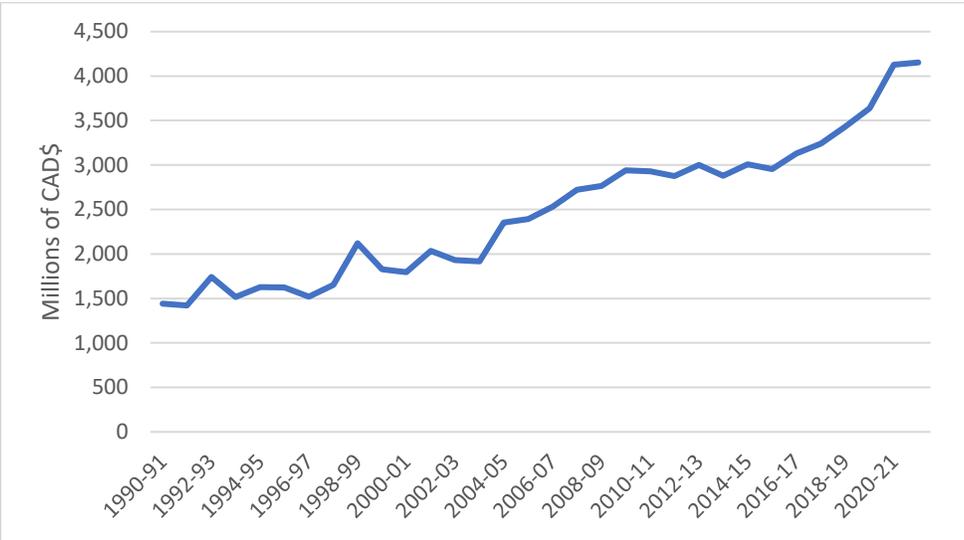
Total federal tax transfers have increased at a rate of 3.57 percent per year between 1990-1991 and 2021-2022 (Chart 3). In 1990-1991 federal tax transfers were 1,442 million dollars. In 2021 they have increased to 4,218 million dollars. The first sub-period, between 1990-1991 and 2000-2001, had a slower growth rate of 2.22 percent per year. Then, between 2000-2001 and 2008-2009 growth increased to 5.54 percent per year. Between 2008-2009 and 2017-2018 growth slowed to 1.78 percent per year. In recent years, between 2017-2018 and 2021-2022, federal transfers increased extremely quickly, at a rate of 6.82 percent per year.

Although federal transfers to New Brunswick have experienced relatively strong growth in absolute terms, federal transfers as a percentage of GDP have not experienced this same trend. In 1990-1991 federal transfers were 10.68 percent of nominal GDP, almost the same as revenues from taxes. This shows the importance of federal transfers to provincial revenues. In 2021-2022 this percentage had slightly decreased to 9.90 percent of nominal GDP. This is an absolute decrease of 0.78 percentage points.

Between 1990-1991 and 2000-2001 the ratio of federal transfers to GDP decreased by 1.85 percentage points. This is expected because total real federal transfers had slow growth of 0.65 percent per year. Then, between 2000-2001 and 2008-2009 the ratio increased by 0.99 percentage points because total federal transfers had strong growth. Between 2008-2009 and 2017-2018 the ratio decreased by 0.54 percentage points, which is consistent with the slow growth of federal transfers. Between 2017-2018 and 2021-2022 growth has been strong, with an absolute change of 0.86 percentage points.

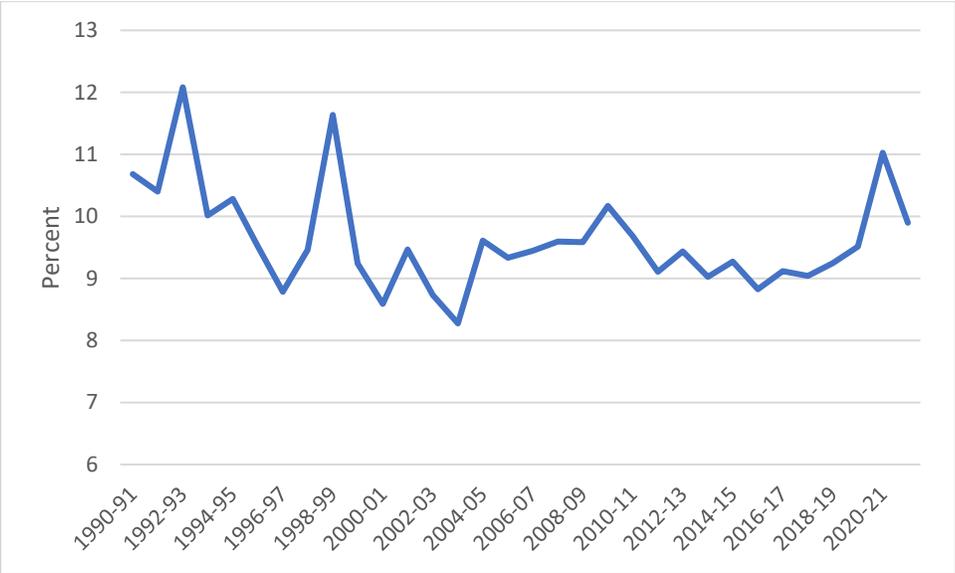
Chart 3: Total Federal Transfers for New Brunswick, 1990-1991 to 2021-2022 (millions of CAD dollars)

Panel A: Absolute Value (millions of CAD dollars)



Source: New Brunswick Fiscal Database 2023, Table 35

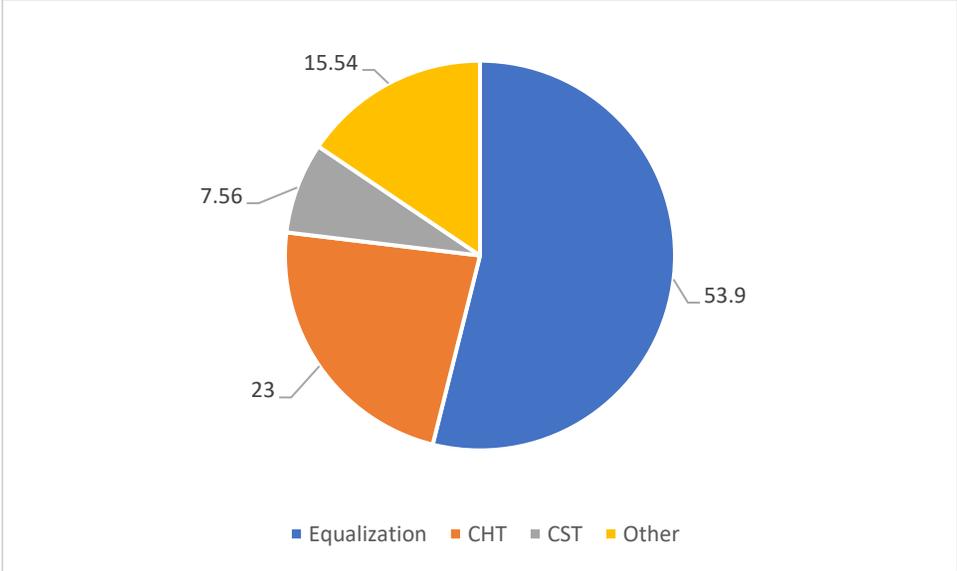
Panel B: As a Percent of GDP



Source: New Brunswick Fiscal Database 2023, Table 38

A large portion of New Brunswick’s federal tax transfers are equalization payments. In 2021 53.9 percent of the total federal transfers to New Brunswick were equalization payments (Chart 5). 23.0 percent were CHT, and 7.6 percent were CST.

Chart 4: Major Sub-Components of Federal Transfers for New Brunswick
Panel A: Portions of Sub-Components, 2021-22

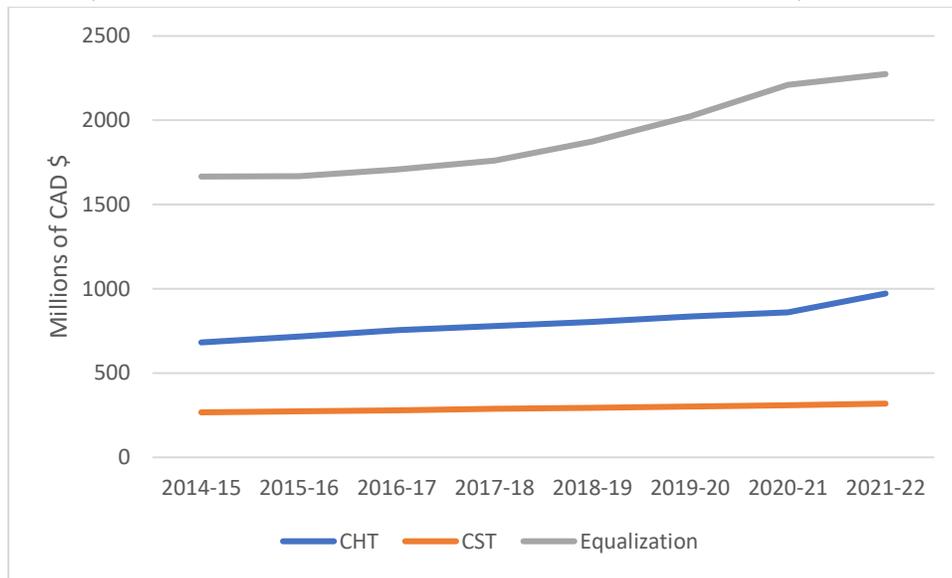


Source: New Brunswick Fiscal Database 2023, Table 42

Equalization payments have grown quickly between 2014-2015 and 2021-2022 at a rate of 3.97 percent per year.⁷ CHT payments have increased even quicker at a rate of 4.53 percent per year. CST payments have experienced the slowest increases of 2.25 percent per year. It is interesting to note that between 2017-2018 and 2021-2022, when New Brunswick was able to achieve a budget surplus, equalization payments grew quicker at 6.62 percent per year. Both the CST and CHT had slower growth during this period, with a growth of 5.66 percent per year for the CHT and a growth rate of 2.50 percent per year for the CST. In recent years equalization payments have been increasing rapidly and aiding New Brunswick’s provincial government to achieve a budget surplus.

⁷ Data on the sub-components of federal transfer revenue (CHT, CST, and equalization payments) are only available beginning in 2014-2015.

Chart 5: Sub-Components of Federal Transfers, 2014-2015 to 2021-2022 (millions of CAD dollars)

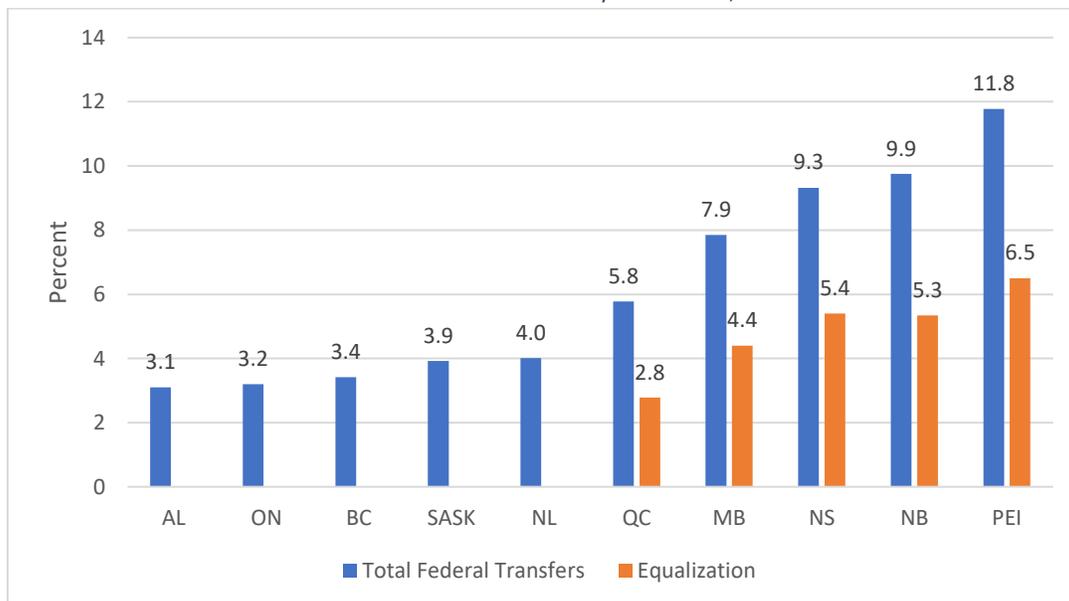


Source: New Brunswick Fiscal Database 2023, Table 42

New Brunswick ranked second in total federal transfers as a percent of GDP in 2021-2022 with a value of 9.75 percent (Chart 6). PEI ranked first with a value of 11.78 percent Alberta ranked last with a value of 3.10 percent.

In 2021-2022 five provinces received equalization payments. These provinces are Prince Edward Island, Nova Scotia, New Brunswick, Quebec, and Manitoba. These are also the same five provinces that obtained the highest total federal transfers as a percent of GDP. Equalization payments are essential for these provinces to fund their programs.

Chart 6: Total Federal Transfers as a Percent of GDP by Province, 2021-2022



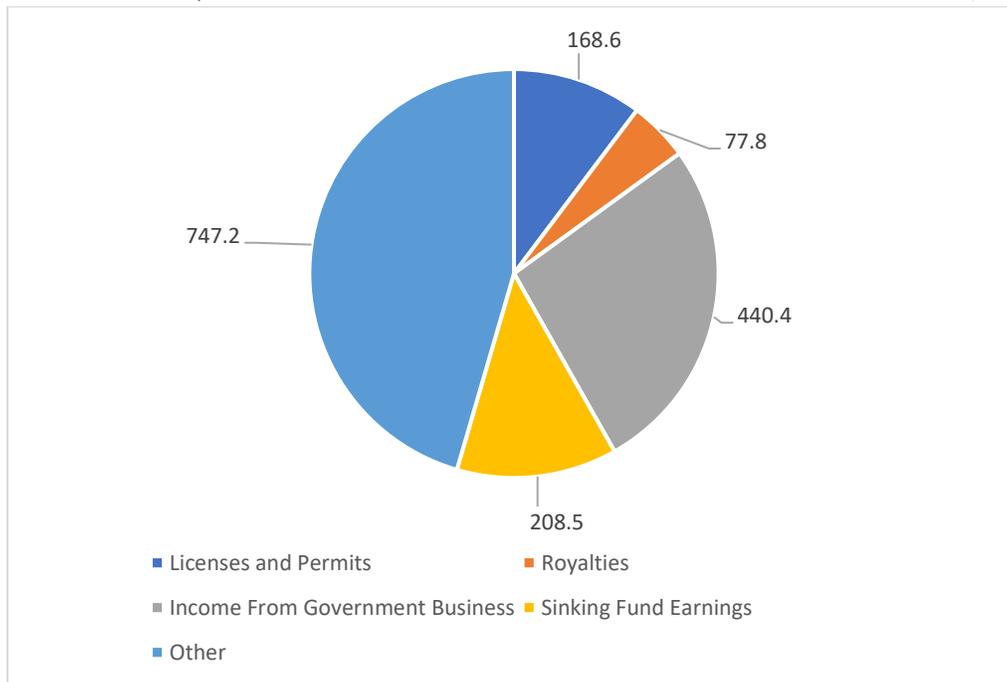
Source: New Brunswick Fiscal Database 2023, Table 17

C. Other Own-Sourced Revenue

As mentioned above there are other ways New Brunswick’s provincial government raises their own revenues outside of taxation. In New Brunswick these include licenses and permits, royalties, income for government business, and sinking fund earnings.

In 2021-2022 other own-sourced revenue in New Brunswick was 1,647 million dollars. The largest category of other own-sourced revenue is income from government businesses which was 440.4 million dollars in 2021-2022. This was an increase of 109 million dollars from the previous year. Another important component is sinking fund earnings, which were 208.5 million dollars in 2021-2022. This was a small increase over the previous year.

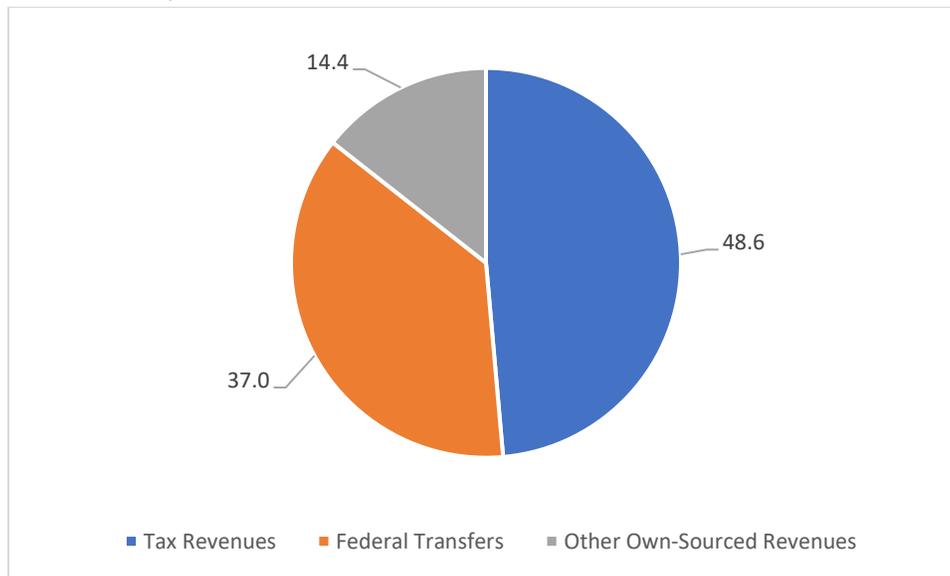
Chart 8: Portion of Components of Other Own-Sourced Revenues for New Brunswick, 2021-2022



D. Total Revenues

The total revenue of New Brunswick’s provincial government can be calculated by adding the three components discussed above together. The largest component is taxes with 48.6 percent of all revenues (Chart 9). Federal transfers are the second largest at 37.0 percent. Other own-sourced revenue is the smallest portion of total revenues at 14.4 percent.

Chart 9: Portion of Components of Total Revenues for New Brunswick, 2021-2022



Source: New Brunswick Fiscal Database 2023, Table 35

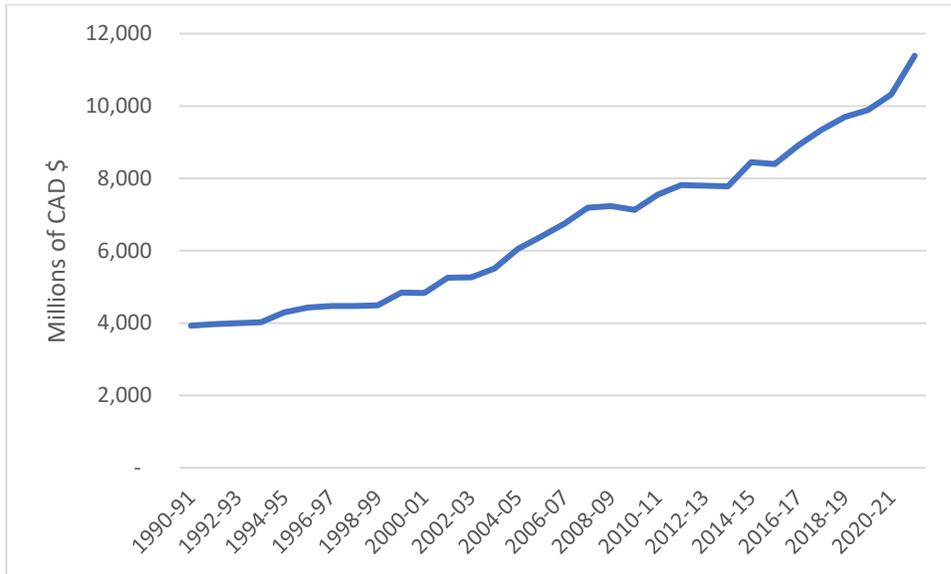
Between 1990-1991 and 2021-2022 the absolute value of total revenue for New Brunswick has increased at a rate of 3.49 percent per year (Table 2). In 1990 total revenues were only 3,702 million dollars. In 2021-2022 New Brunswick had increased to 11,391 million dollars. During the first sub-period, between 1990-1991 and 2000-2001 growth was slower at 2.71 percent annually. Between 2000-2001 and 2008-2009 growth was much higher at 5.15 percent per year. Next, between 2008-2009 and 2017-2018 growth fell to 2.89 percent per year. Finally, between 2017-2018 and 2021-2022 growth increased again to 5.51 percent per year.

When analyzing the total revenues per capita the growth was slightly lower between 1990-1991 and 2021-2022 due to an increase in population of 0.13 percent per year throughout the period. Between 1990-1991 and 2021-2022 total revenue per capita increased from 5,312 dollars to 14,792 dollars. This is a growth rate of 3.36 percent per year. Both the first and last sub-periods had slightly lower growth when studying total revenue on a per capita basis. It is important to note that between 2000-2001 and 2008-2009 growth of total revenue was higher on a per capita basis in comparison to absolute values. This is because during this time the population of New Brunswick decreased.

The total revenues as a percentage of GDP decreased by 1.70 percentage points (from 28.44 percent to 26.73 percent) throughout the period. Between 1990-1991 and 2000-2001 the decreases were larger, by 5.30 percentage points. This is due to slow growth in total revenues during this period and fast growth in GDP. Between 2000-2001 and 2008-2009 total revenues as a percent of GDP increased by 1.94 percentage points due to both increasing growth of total revenues and slowing growth of GDP. Between 2008-2009 and 2017-2018 total revenues as a percent of nominal GDP increased by 0.98 percentage points. Finally, between 2017-2018 and 2021-2022 total revenue increased by 0.67 percentage points.

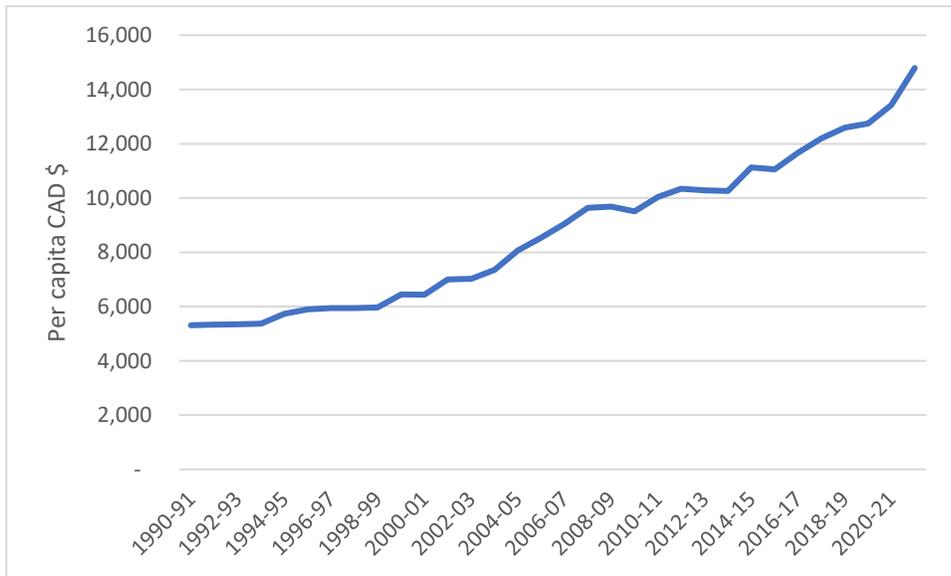
Chart 10: Total Revenue for New Brunswick, 1990-1991 and 2021-2022

Panel A: Absolute Values (millions of CAD dollars)



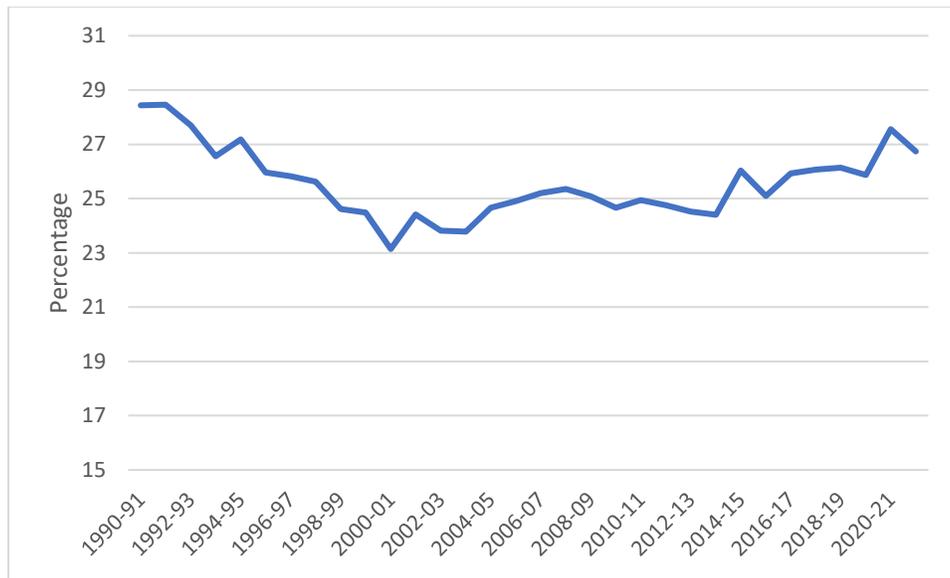
Source: New Brunswick Fiscal Database 2023, Table 35

Panel B: Per Capita



Source: New Brunswick Fiscal Database 2023, Table 18

Panel C: As a Percentage of Nominal GDP



Source: New Brunswick Fiscal Database 2023, Table 33 and Table 35

Total revenue between 1990-1991 and 2021-2022 increased at a rate of 3.49 percent per year. This is due to similar increases in both main components of revenue. In the first sub-period, between 1990-1991 and 2000-2001 total revenue growth was low at 2.71 percent per year because both tax revenues and total federal transfers had their slow growth during this sub-period. Federal transfers increased especially slowly at 2.22 percent per year. Between 2000-2001 and 2008-2009 total revenue growth was strong at 5.15 percent per year. Both components experienced strong growth during this period. As federal transfers make up the largest portion of revenue, its growth was especially important. Between 2008-2009 and 2017-2018 growth slowed to 3.89 percent per year due to decreases in the growth rates of all three components.

In the most recent years, between 2017-2018 and 2021-2022 total revenue growth has increased again with a high growth rate of 5.51 percent per year. Tax revenues grew at a rate of 1.43 percent per year, slower than any other period. Nevertheless, federal transfers grew quickly at 6.82 percent per year and were the main influence behind the fast growth of total revenues between 2017-2018 and 2021-2022.

Table 2: Total Revenue Components of Provincial GDP for New Brunswick, 1990-1991 to 2020-2021 and selected periods

Panel A: Average Annual Growth Rates

| | Tax Revenues | Total Federal Transfers | Total Revenue | Population |
|-------------------------------|--------------|-------------------------|---------------|-------------|
| 1990-1991 to 2000-2001 | 2.36 | 2.22 | 2.71 | 0.15 |
| 2000-2001 to 2008-2009 | 4.60 | 5.54 | 5.15 | -0.06 |
| 2008-2009 to 2017-2018 | 3.83 | 1.78 | 3.89 | 0.28 |
| 2017-2018 to 2021-2022 | 1.43 | 6.82 | 5.51 | 0.13 |
| 1990-1991 to 2020-2021 | 3.30 | 3.57 | 3.49 | 0.13 |

Source: New Brunswick Fiscal Database 2023, Table 33 and Table 35

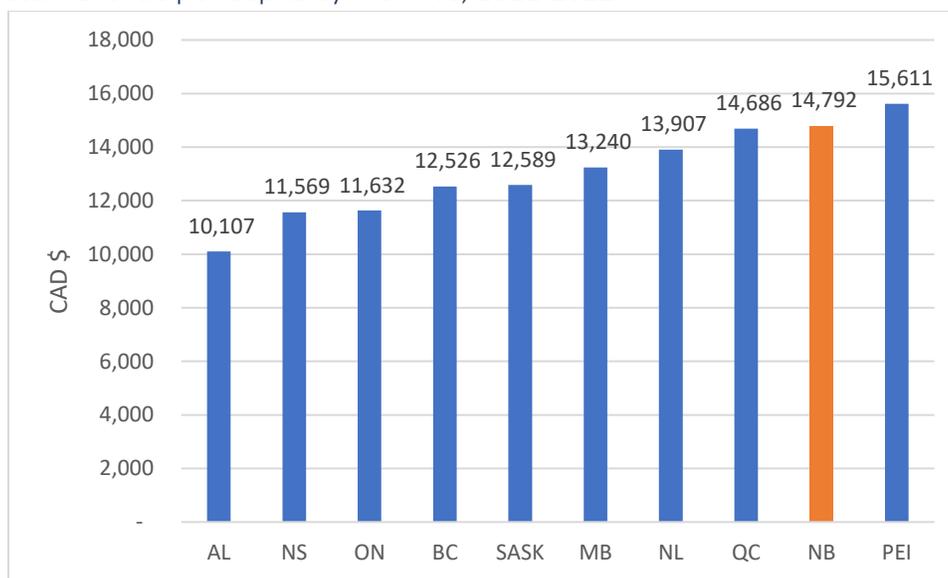
Panel B: As a Percent of GDP

| | Tax Revenues | Total Federal Transfers | Total Revenue |
|-----------|--------------|-------------------------|---------------|
| 1990-1991 | 9.99 | 10.44 | 26.80 |
| 2000-2001 | 10.49 | 8.59 | 23.14 |
| 2008-2009 | 11.09 | 9.58 | 25.05 |
| 2017-2018 | 11.98 | 9.04 | 26.07 |
| 2021-2022 | 13.0 | 9.90 | 26.32 |

Source: New Brunswick Fiscal Database 2023, Table 38

New Brunswick ranks second among the ten provinces in total revenue per capita with a value of 14,561 dollars (Chart 11). Prince Edward Island fared highest with a total revenue per capita valued at 15,611 dollars per capita. Alberta placed lowest with a value of 10,107 dollars. This is largely due to their low PIT rate, lack on RST, and lack of equalization payments. Four out of the five top provinces are those that receive equalization payments. This shows the importance federal transfers have on total revenue. Newfoundland and Labrador placed fourth even with no equalization payments. Nova Scotia placed second lowest, but they do receive equalization payments.

Chart 11: Total Revenue per Capita by Province, 2021-2022



Source: New Brunswick Fiscal Database 2023, Table 18

III. Total Expenditure in the New Brunswick Budget

Government total expenses are all the funds spent by a specific government. This is split into two main components. First, program expenditure includes finances that are spent on programs that will be of benefit to the citizens in the province. Second, debt charges, or interest payments are the repayments made by the government for the debt that was accumulated through budget deficits.

A. Program Expenditure

Program expenditure in New Brunswick is most heavily spent on healthcare (36.2 percent in 2020-2021), education (22.6 percent), and social services (15.0 percent). These are programs that benefit those living in the province. These important programs are all run at the provincial level of government and are therefore expenses of the province.

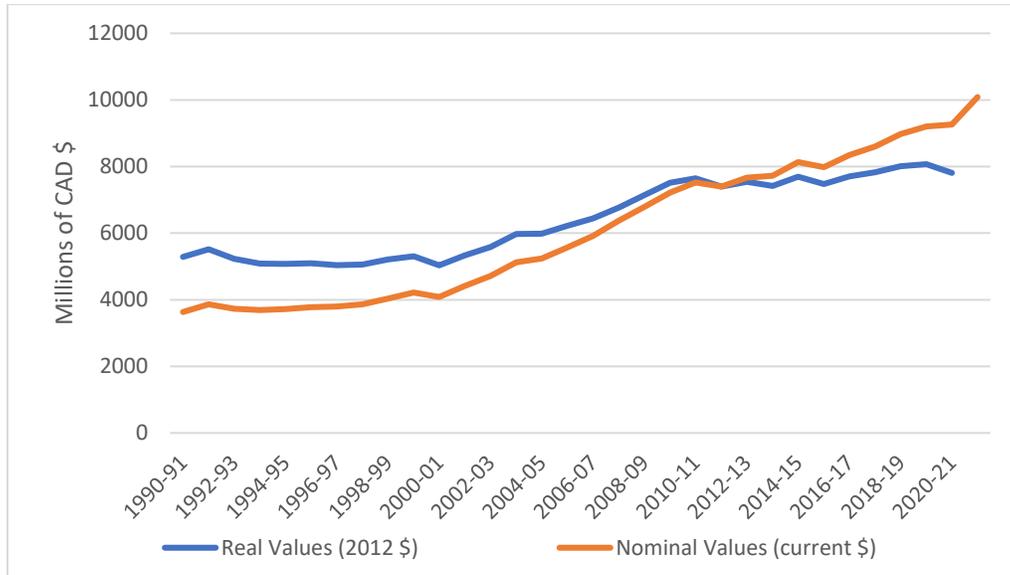
Nominal values of program expenditure grew 3.52 percent per year between 1990-1991 to 2021-2022. In 1990-1991 the nominal value was 3,632 million dollars and by 2021-2022 it had increased to 10,613 million dollars. The growth of nominal program expenditure was the fastest between 2000-2001 and 2008-2009 at 6.56 percent per year. This growth rate was greatly reduced between 2008-2009 and 2021-2022 to 3.50 percent per year.

Program expenditure as a percent of GDP experienced a decrease of 2.62 percentage points throughout the period (from 26.30 percent to 26.67 percent). Between 1990-1991 and 2000-2001 the decrease was extremely large: 6.76 percentage points. Then, between 2000-2001 and 2008-2009 there were increases in program expenditures as a percent of GDP of 3.99 percentage points. Between 2008-2019 and 2017-2018 the increase in program expenditures as a percent of GDP was small, at only 0.49 percentage points. Finally, between 2017-2018 and 2021-2022 there has been a decrease in program expenditures of 0.35 percentage points.

Between 1990-1991 and 2021-2022 New Brunswick experienced growth in real program expenditure of 1.31 percent per year (Chart 12). Between 2000-2001 and 2008-2009 the growth increased considerably, at 3.09 percent per year. Between 2008-2009 and 2017-2018 the real growth rate of program expenditure decreased to a growth rate of 1.45 percent per year. Lastly, between 2017-2018 and 2021-2022 program expenditure growth fell to 0.34 percent per year.

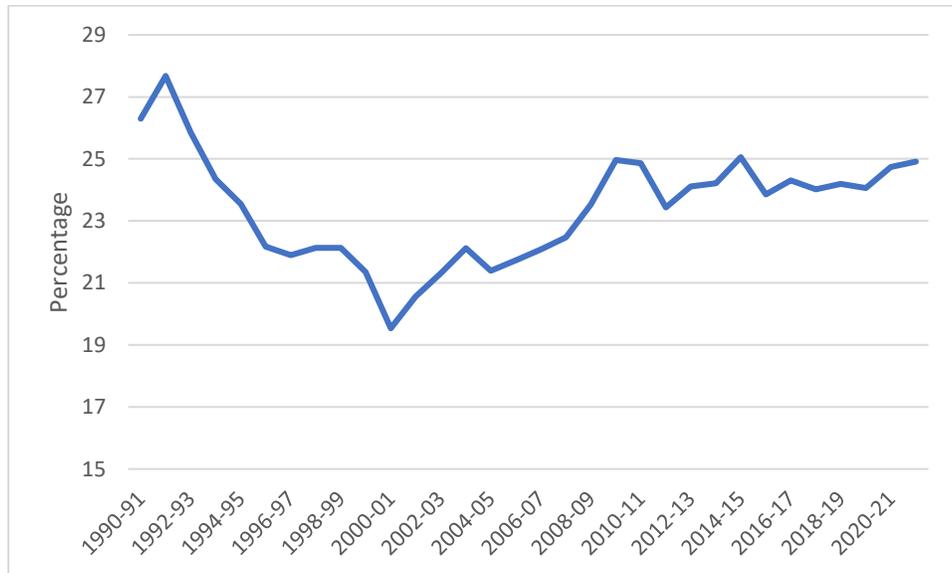
Chart 12: Program Expenditure for New Brunswick, 1990-1991 to 2021-2022

Panel A: Absolute Values



Source: New Brunswick Fiscal Database 2023, Table 13 and Table 33

Panel B: As a Percent of GDP



Source: New Brunswick Fiscal Database 2023, Table 27

Healthcare has the highest share of expenditure at 36.2 percent in 2021-2022 (Chart 13). Healthcare has experienced growth of 3.96 percent per year between 1990-1991 and 2020-2021. In 1990-1991 the amount spent on healthcare was 1,084 million dollars. In 2020-2021 this had increased to 3,617 million dollars. Between 1990-1991 and 2000-2001 healthcare expenditure increased by 1.76 percent per year. Then between 2000-2001 and 2008-2009, there was a very high growth of 8.32 percent per year. Between 2008-2009 and 2017-2018 the growth rate was 2.42 percent per year. In the most recent sub-period real growth has been slow at 2.69 percent per year. Healthcare expenditure has the greatest influence on the overall trend as it is the highest component of program expenditure for the province.

As a percentage of GDP, healthcare has increased by 0.64 percentage points throughout the period (from 7.84 percent to 8.48 percent). Between 1990-1991 and 2000-2001 healthcare as a percent of GDP decreased largely, by 1.67 percentage points. Between 2000-2001 and 2008-2009 healthcare as a percent of GDP increased largely by 2.03 percentage points. Then, between 2008-2009 and 2017-2018 the absolute change was very small, only a decrease of 0.02 percentage points. In the most recent period, the change was a small increase of 0.03 percentage points.

Education was the second highest level of expenditure with 22.6 percent of program expenditure in 2021-2022. Between 1990-1991 and 2020-2021 growth was 3.32 percent per year. In 1990-1991 the value was only 820 million dollars, but by 2021-2022 it was 2,259 million dollars. In the first sub-period, between 1990-1991 and 2000-2001, the value increased by 0.91 percent per year. Then, between 2000-2001 and 2008-2009 growth increased to 6.19 percent per year. Between 2008-2009 and 2017-2018 growth was relatively strong at 3.34 percent per year. Finally, between 2017-2018 and 2020-2021 the growth rate was slow at 2.53 percent per year. Similarly to healthcare, the growth of expenditure in education influenced the total program expenditure due to its large importance.

Education as a percent of GDP has decreased by 0.64 percentage points throughout the whole period (from 5.94 percent to 5.30 percent). That being said, only one period experienced an absolute decrease. Between 1990-1991 and 2000-2001 the value decreased by 1.64 percentage points.

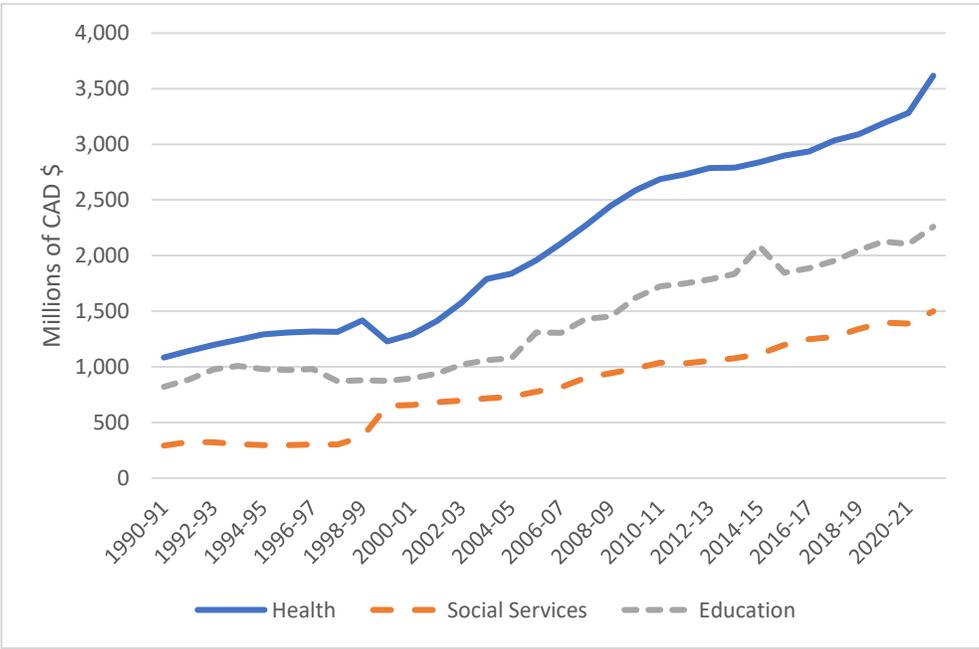
Social services made up 15.0 percent of program expenditure in New Brunswick in 2020-2021. Social service trends did not follow the trends of the other two programs very closely. Between 1990-1991 and 2020-2021 social services had the highest level of growth of 5.34 percent per year. The value increased from 292 million dollars in 1990-1991 to 1,499 million dollars in 2021-2022. Between 1990-1991 and 2000-2001 growth was very strong at 8.45 percent increases per year. Then, between 2000-2001 and 2008-2009 growth fell to 4.61 percent per year. Between 2008-2009 and 2017-2018 growth increased even slower, by 3.37 percent per year. In the most recent sub-period growth was even slower at 3.05 percent per year. The high growth of social service expenditure in the first sub-period does not follow the decreases in the value of healthcare and social service expenditure during this period.

Social service expenditure as a percent of GDP has increased by 1.41 percentage points between 1990-1991 and 2020-2021 (from 2.11 percent to 3.52 percent). Between 1990-1991 and 2000-2001 the value increased by 1.03 percentage points. The rest of the periods experienced small increases.

When studying the importance of each sub-component of program expenditure, social services has seen the largest increase in the percentage of total program expenditure throughout the period. In 1990-1991, 9.0 percent of total expenditure was in social services and in 2020-2021 that share had increased to 15.0 percent. The share of expenditure on healthcare has slightly increased from 33.4 percent in 1990-1991 to 36.2 percent in 2020-2021. The share of expenditure on education has decreased from 25.2 percent in 1990-1991 to 22.6 percent in 2021-2022.

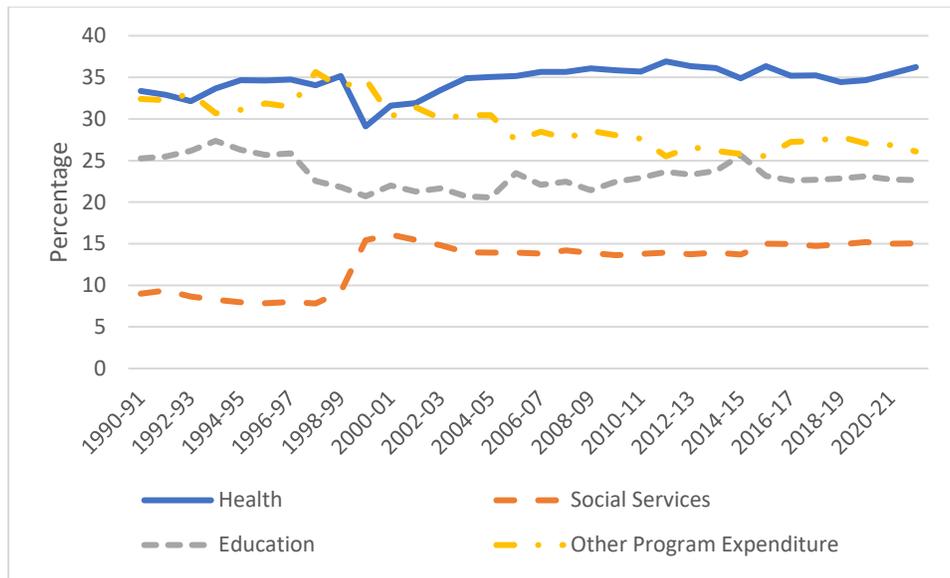
Between the 1998-1999 and 1999-2000 fiscal years there was a large restructuring of the percentage of funding going to specific expenses. In 1998-1999 social services were 9.2 percent of program expenses and healthcare was 35.2 percent of program expenses. The next fiscal year social services had risen to 15.4 percent and healthcare had fallen to 29.1 percent. This was due to Bernard Lord winning the New Brunswick provincial election in 1999, making him the first Progressive Conservative Premier of New Brunswick in over a decade. Throughout his time as Premier, he consolidated and closed multiple hospitals.

Chart 13: Program Expenditure Sub-Components for New Brunswick, 1990-2021
 Panel A: Nominal Values (millions of current dollars)



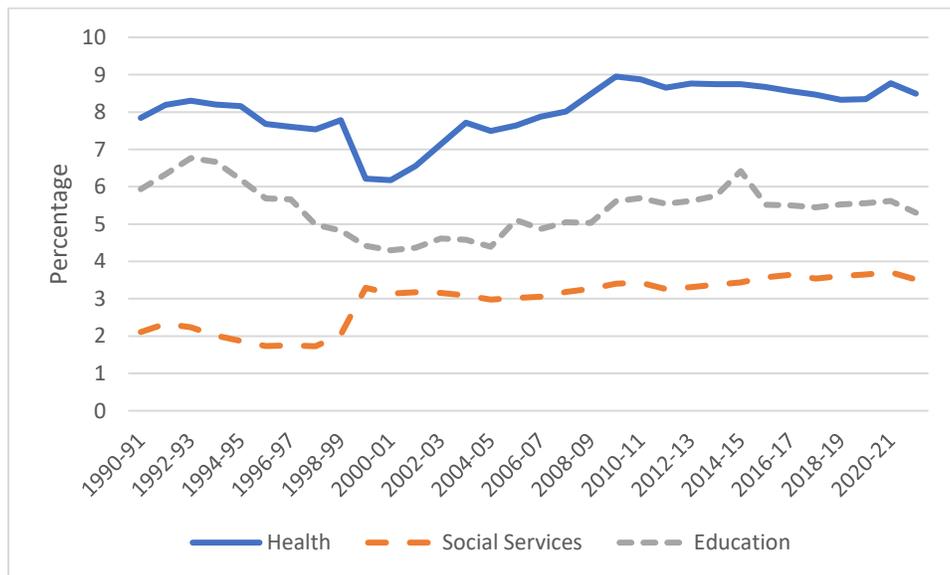
Source: New Brunswick Fiscal Database 2023, Table 36

Panel B: Share of Nominal Expenditure of Sub-Components



Source: New Brunswick Fiscal Database 2023, Table 36

Panel C: Percent of GDP



Source: New Brunswick Fiscal Database 2023, Table 40

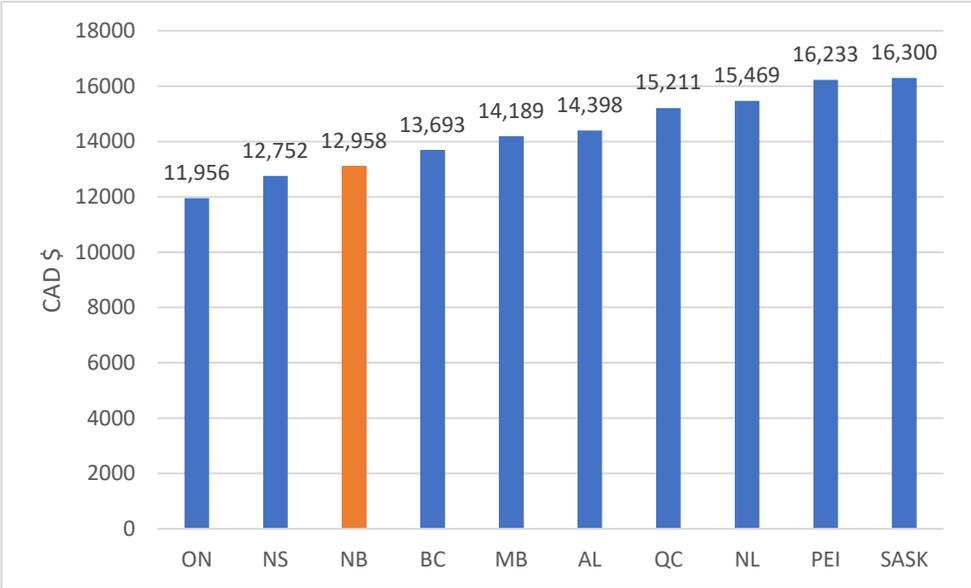
In 2021-2022 New Brunswick ranked third lowest in their total program expenditure per capita with a value of 12,958 dollars (Chart 14). Ontario ranked last with a value of 11,956 dollars. Saskatchewan ranked first at 16,300 dollars.

New Brunswick has the lowest per capita percentage of healthcare with only 4,696 dollars. Quebec has the highest healthcare expenditure per capita at 6,138 dollars. On the other hand, New Brunswick has the highest social service expenditure per capita of all provinces with 1,947 dollars. New Brunswick has the fourth highest education expenditure per capita at 2,934

dollars. Overall, it is the low healthcare expenditure that makes New Brunswick place low in total program expenditure in comparison to other provinces.

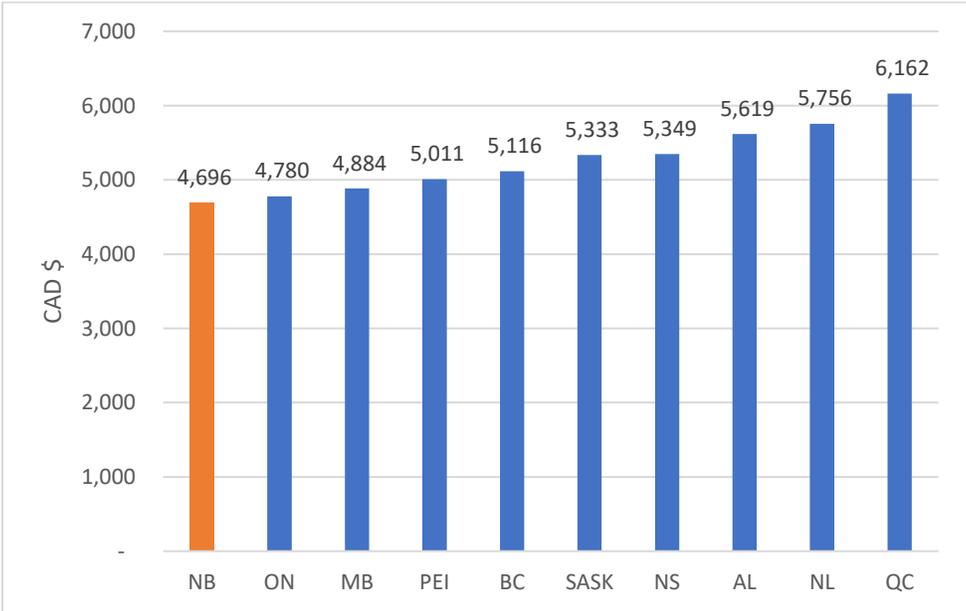
Chart 14: Program Expenditure per Capita by Province, 2020-2021

Panel A: Total Program Expenditure



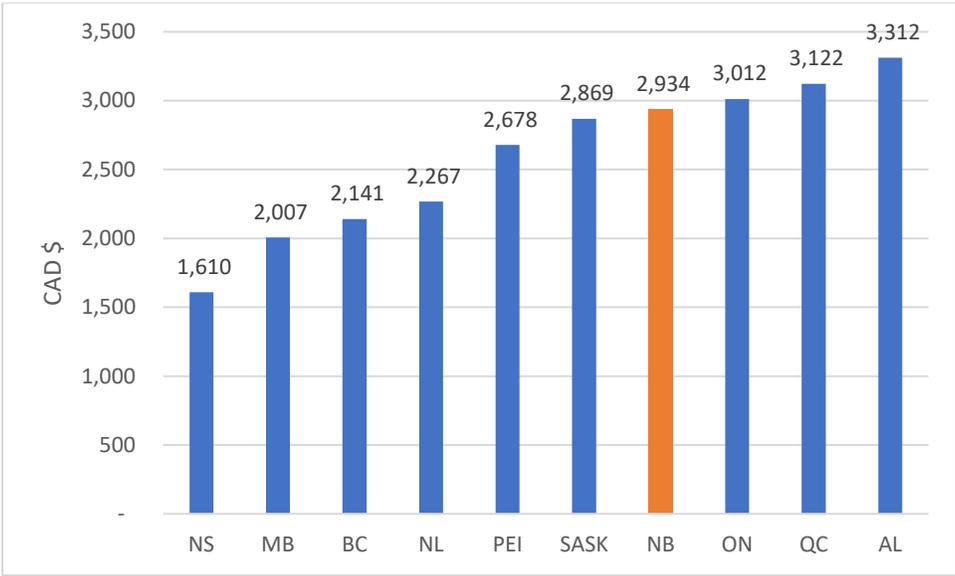
Source: New Brunswick Fiscal Database 2023, Table 19

Panel B: Health Care Expenditure



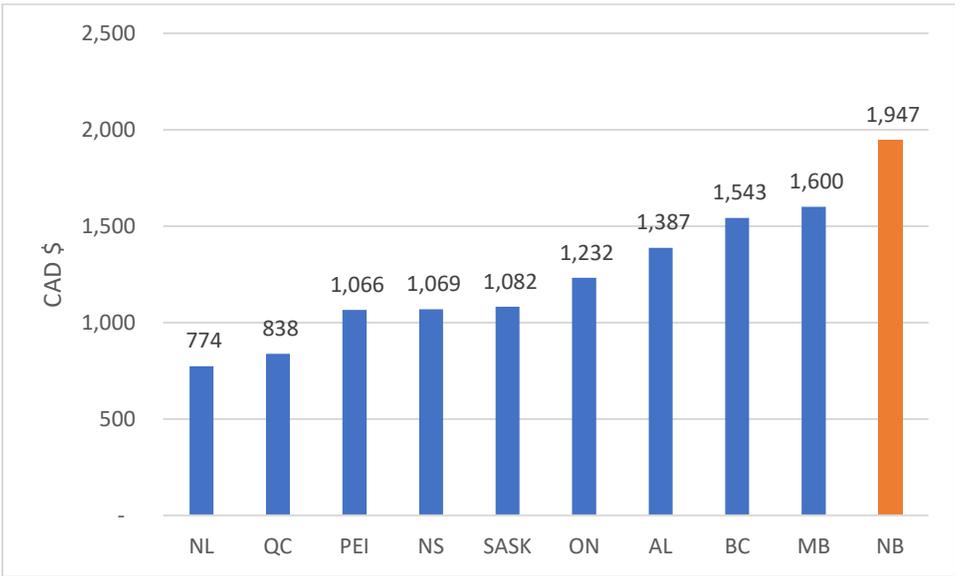
Source: New Brunswick Fiscal Database 2023, Table 43

Panel C: Education Expenditure



Source: New Brunswick Fiscal Database 2023, Table 43

Panel D: Social Service Expenditure



Source: New Brunswick Fiscal Database 2023, Table 43

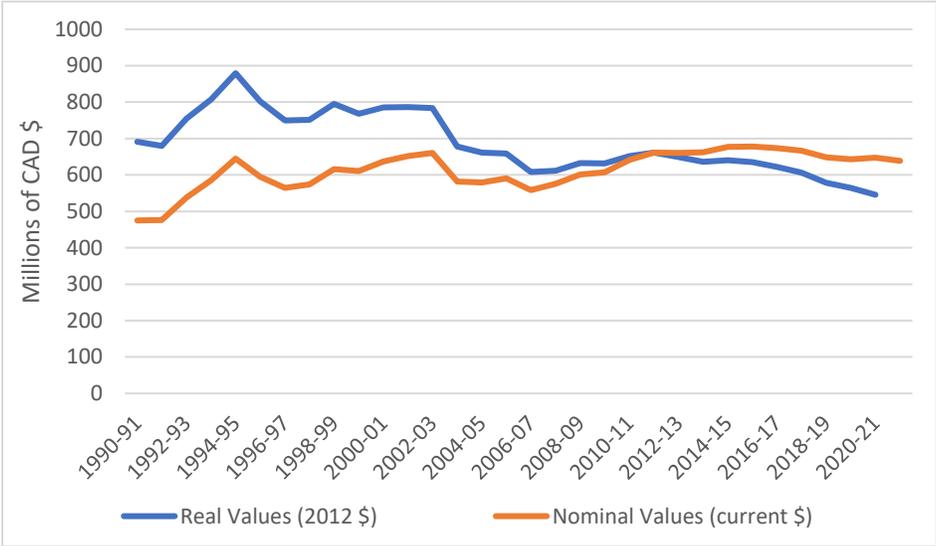
B. Debt Charges

When the government runs a budget deficit, they do not have enough revenue to fully fund their expenditure for the given year. This means they must borrow money to cover the rest of the expenditure. Public debt charges contain interest payments on all accounts, amortization of premiums on debts, and service costs of new borrowings (Government of Canada, 2022).

Nominal debt charges increased at a rate of 0.94 percent per year throughout the period. In 1990-1991 interest payments were 475 million dollars and in 2021-2022 they had increased to 635 million dollars. They grew very fast between 1990-1991 and 2000-2001 at a rate of 2.98 percent per year. Between 2000-2001 and 2008-2009 nominal debt charges decreased at a rate of 0.72 percent per year. Between 2008-2009 and 2017-2018 they increased again at 1.15 percent per year. In recent years debt charges have decreased again at a rate of 5.36 percent per year.

Between 1990-1991 and 2021-2022 real debt charges in New Brunswick have decreased at a rate of 0.79 percent per year in real terms (Chart 15). During the first sub-period, between 1990-1991 and 2000-2001, debt charges increased quickly at 1.18 percent per year. Then, between 2000-2001 and 2008-2009 they greatly decreased at a rate of 2.81 percent per year. Between 2008-2009 and 2017-2018 real debt charges had slow growth of 0.18 percent per year. Finally, between 2017-2018 and 2021-2022 there were strong decreases in debt charges of 3.21 percent per year. This follows similar trends to the nominal debt charges.

Chart 15: Public Debt Charges for New Brunswick, 1990-2021 (millions of CAD dollars)



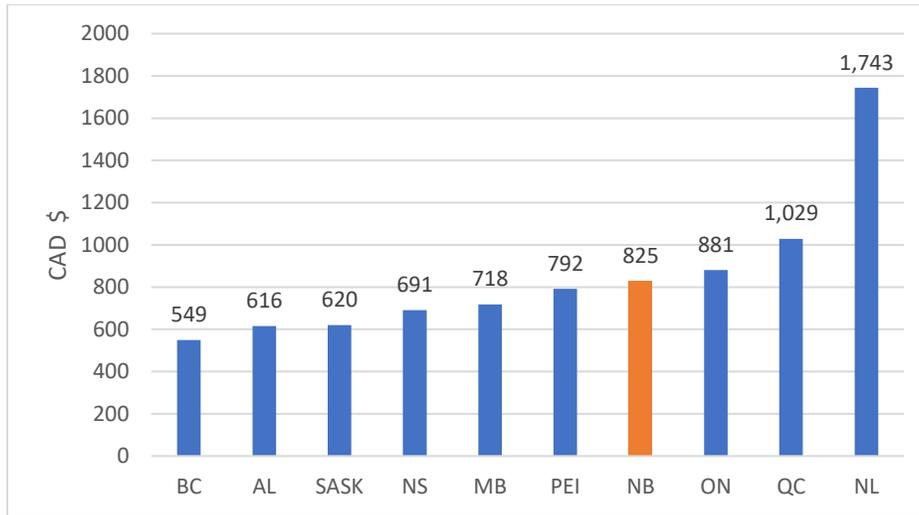
Source: New Brunswick Fiscal Database 2023, Table 15 and Table 33

In 2021-2022 New Brunswick had the fourth highest public debt charges per capita of all the provinces with a value of 825 dollars (Chart 15). Newfoundland and Labrador had the highest debt charges by a large margin at 1,743 dollars. British Columbia had the lowest debt charges per capita at 549 dollars.

The placement of provinces is similar when considering public debt charges as a percent of GDP. New Brunswick had the third highest debt charges of the ten provinces at a rate of 1.49 percent. Once again, Newfoundland and Labrador was the highest at 2.42 percent and British Columbia was lowest with a percentage of 0.71 percent.

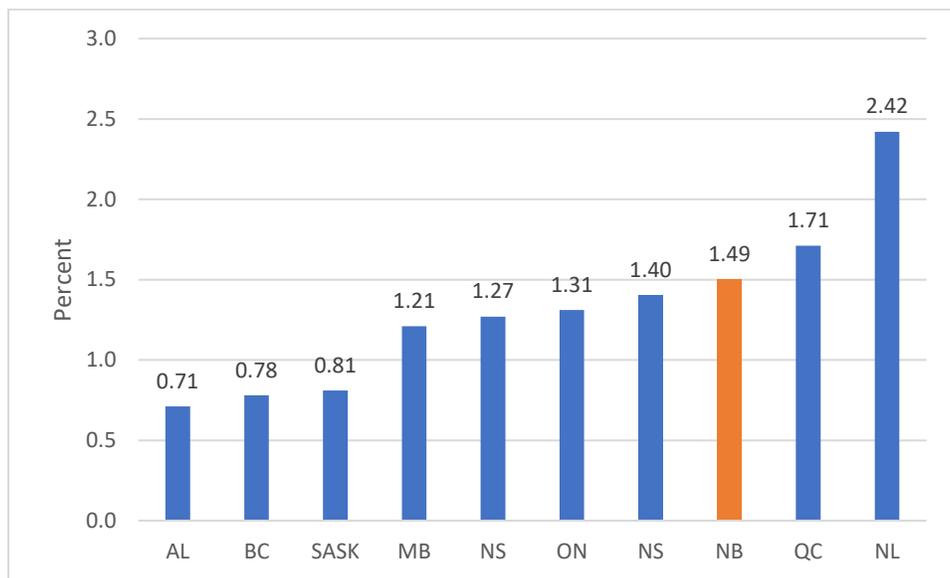
Chart 15: Public Debt Charges by Province, 2021-2022

Panel A: Per Capita



Source: New Brunswick Fiscal Database 2023, Table 20

Panel B: As a Percent of GDP

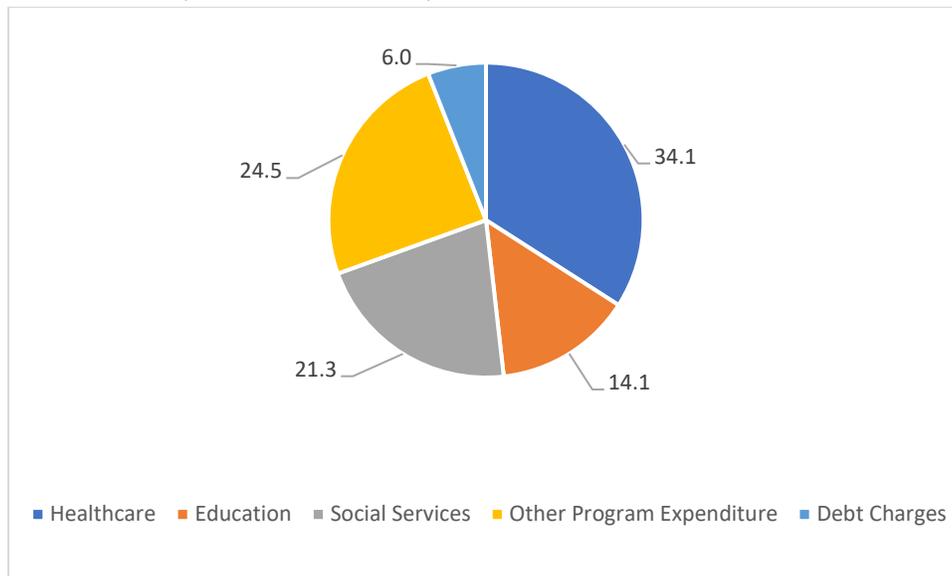


Source: New Brunswick Fiscal Database 2023, Table 28

C. Total Expenditure

Total expenditure for a given year is calculated by adding both the program expenditure and public debt charges for said year. In 2020-2021 spending on programs comprised 94.0 percent of all expenditures, with the highest portion of this program expenditure on healthcare (Chart 17). Debt charges made up 6.0 percent of total expenditures in New Brunswick.

Chart 17: Portion of Components of Total Expenditure for New Brunswick, 2020-2021



Source: New Brunswick Fiscal Database 2023, Table 36

Nominal total expenditure has increased by 3.11 percent per year between 1990-1991 and 2021-2022, from 4,107 million dollars to 10,614 million dollars. Between 1990-1991 and 2000-2001 nominal total expenditure grew slowly at 1.40 percent per year. Between 2000-2001 and 2008-2009 growth was strongest with a rate of 5.76 percent per year. In the most recent sub-period growth has continued to be relatively strong at 3.44 percent per year.

Total real expenditure in New Brunswick has increased by 1.12 percent per year between 1990 and 2021 (Chart 18). During the first sub-period, between 1990 and 2021, growth was slow at 0.18 percent per year. Then, between 2000-2001 and 2008-2009 growth was much stronger at 2.46 percent per year. Between 2008-2009 and 2017-2018 growth was strong at 1.35 percent per year. Then, between 2017-2018 and 2021-2022 growth of real total expenditure was small at 0.08 percent per year. In summary, real expenditure was basically stable during the first and last periods.

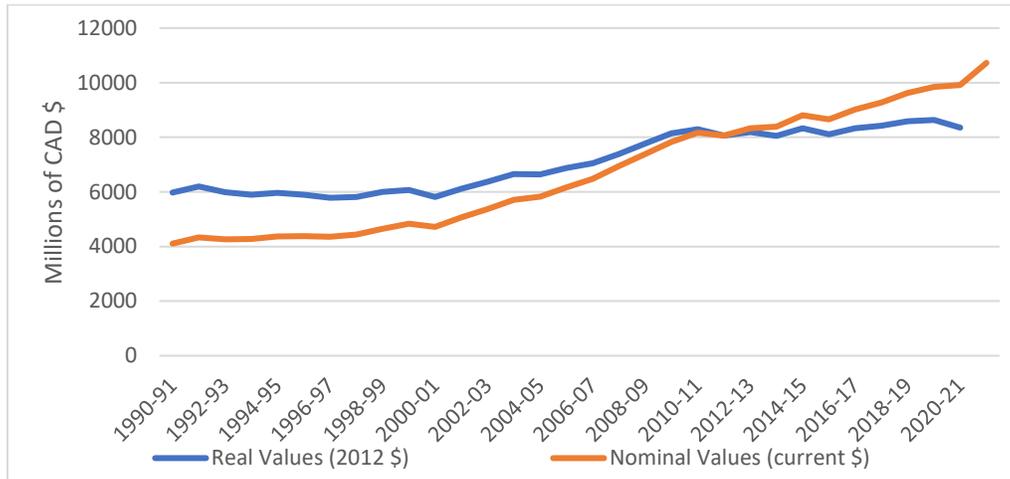
The patterns of the values follow very closely those on a per capita basis. Between 1990-1991 and 2021-2022 real per capita expenditure increased by 0.99 percent, only slightly under the absolute value growth. In 1990-1991 per capita expenditure was 8,084 2012 dollars. In 2021-2022 it increased to 1,0871 2012 dollars. During the first sub-period growth was weak at 0.02 percent per year. This is, once again, only slightly below the absolute value. Then, between 2000-2001 and 2008-2009 the per capita grew at 2.55 percent per year, slightly higher than the absolute value due to a population decline during this period. Between 2008-2009 and 2021-2022 experienced per capita growth of 0.72 percent per year. These trends follow very similarly the absolute values.

Total nominal expenditure as a percentage of nominal GDP has decreased by 4.82 percentage points between 1990-1991 and 2021-2022 (from 29.73 percent to 24.91 percent). Between 1990-1991 and 2000-2001 the ratio decreased quickly, by 7.15 percentage points. Then,

between 2000-2001 and 2008-2009 total expenditure as a share of GDP increased by 3.02 percentage points. Between 2008-2009 and 2017-2018 there was an increase of only 0.27 percentage points. The most recent sub-period has experienced another decrease of 0.97 percentage points.

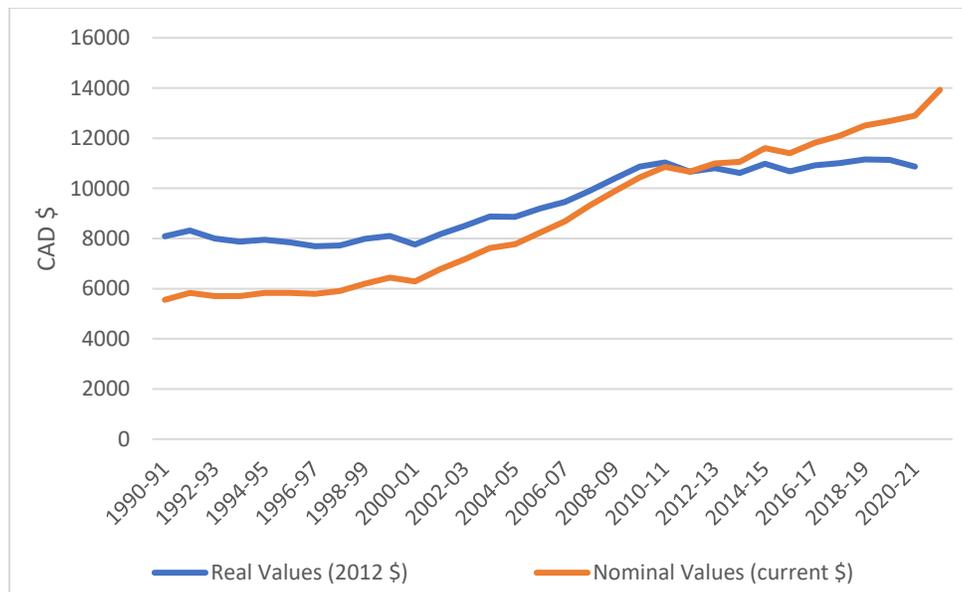
Chart 18: Total Expenditure for New Brunswick, 1990-2021

Panel A: Absolute Values (millions of CAD dollars)



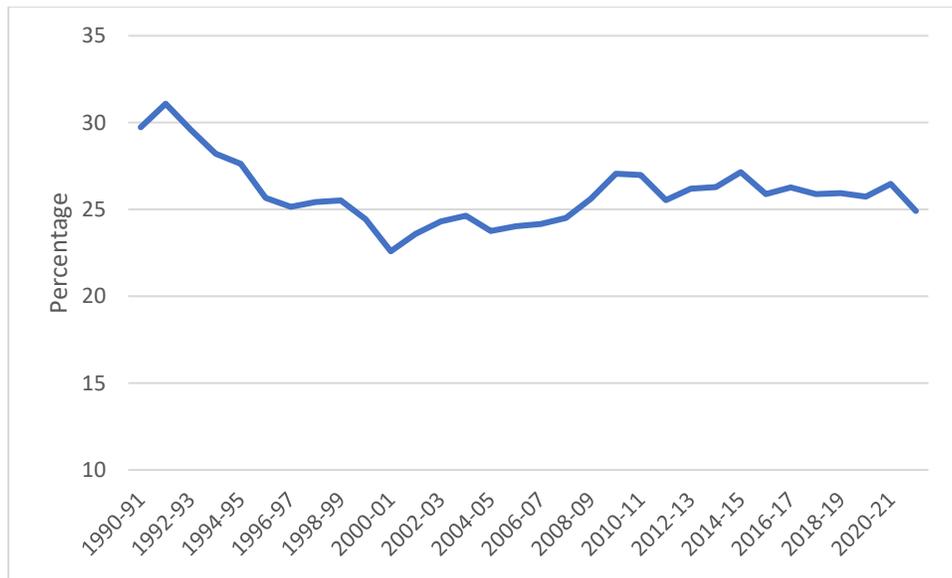
Source: New Brunswick Fiscal Database 2023, Table 33 and Table 36

Panel B: Per Capita



Source: New Brunswick Fiscal Database 2023, Table 21 and Table 33

Panel C: As a Percentage of Nominal GDP



Source: New Brunswick Fiscal Database 2023, Table 29

Throughout the period all components of program expenditure experienced growth, aiding to the growth of total expenditure of 3.11 percent per year. Healthcare, the largest portion of total expenditure, experienced a growth rate of 3.96 percent per year throughout the period and is a large factor behind total expenditure growth. Social services had the fastest growth at 5.42 percent per year, greatly influencing total expenditure growth.

The growth of the absolute value of total expenditure of 1.40 percent per year for New Brunswick in the first sub-period is largely due to the slow growth in both healthcare and education. Healthcare expenditure increased by 1.76 percent per year and education increased by 0.91 percent. Then, between 2000-2001 and 2008-2009 growth was strong at 5.76 percent per year. This is mostly influenced by the high growth of healthcare, the largest portion of total expenditure, of 8.32 percent. Strong growth of both social services by 4.61 percent per year and education by 6.19 percent per year also influence this strong overall growth. Between 2008-2009 and 2017-2018 moderate growth of all components of program expenditure influences the growth rate of total expenditure of 2.56 percent annually. Finally, between 2017-2018 and 2021-2022 expenditure growth of total expenditure was 3.44 percent per year. Debt charges experienced great decreases of 1.21 percent per year.

Table 3: Total Expenditure Components for New Brunswick 1990-1991 to 2020-2021 and selected periods

Panel A: Average Annual Growth Rate

| | Healthcare | Social Services | Education | Other Program Expenditure | Debt Charges | Total Expenditure | Population |
|-------------------------------|------------|-----------------|-----------|---------------------------|--------------|-------------------|------------|
| 1990-1991 to 2000-2001 | 1.76 | 8.45 | 0.91 | -1.48 | 2.98 | 1.40 | 0.15 |
| 2000-2001 to 2008-2009 | 8.32 | 4.61 | 6.19 | 5.83 | -0.72 | 5.76 | -0.06 |
| 2008-2009 to 2017-2018 | 2.42 | 3.37 | 3.34 | 2.13 | 1.15 | 2.56 | 0.28 |
| 2017-2018 to 2021-2022 | 4.51 | 4.26 | 3.72 | 2.57 | -1.21 | 3.44 | 0.13 |
| 1990-1991 to 2021-2022 | 3.96 | 5.42 | 3.32 | 1.94 | 0.94 | 3.11 | 0.13 |

Source: New Brunswick Fiscal Database 2023, Table 32 and Table 36

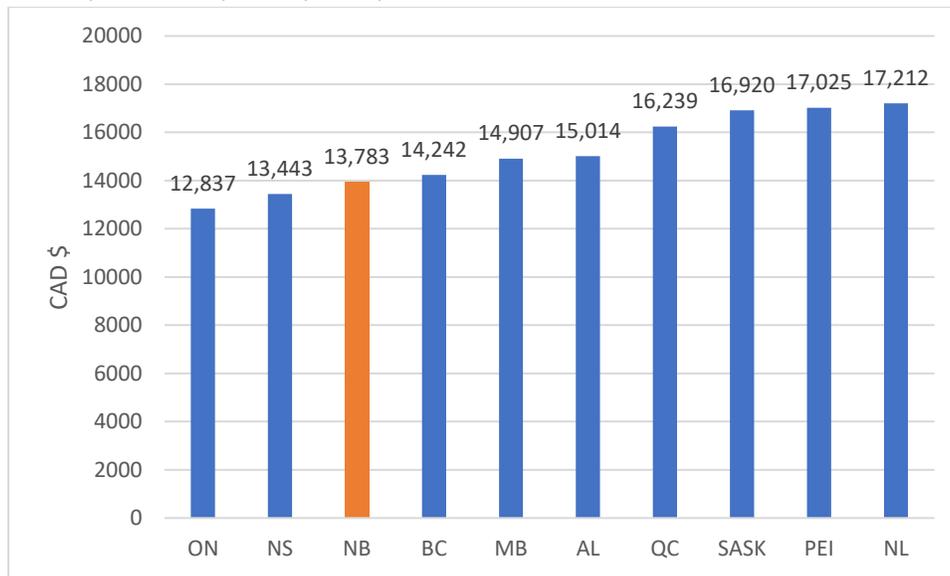
Panel B: As a Percent of GDP

| | Healthcare | Social Services | Education | Other Program Expenditure | Debt Charges | Total Expenditure |
|-----------|------------|-----------------|-----------|---------------------------|--------------|-------------------|
| 1990-1991 | 7.84 | 2.11 | 5.94 | 7.62 | 3.44 | 26.96 |
| 2000-2001 | 6.18 | 3.14 | 4.30 | 5.92 | 3.05 | 22.59 |
| 2008-2009 | 8.48 | 3.26 | 5.03 | 6.72 | 2.09 | 25.58 |
| 2017-2018 | 8.46 | 3.54 | 5.45 | 6.57 | 1.86 | 25.88 |
| 2021-2022 | 8.49 | 3.52 | 5.30 | 6.11 | 1.49 | 24.91 |

Source: New Brunswick Fiscal Database, Table 40

In comparison to other provinces, New Brunswick had the third lowest total expenditure per capita in 2021-2022 at 13,783 dollars (Chart 19). This is because it also had the third lowest total program expenditures. Ontario was the lowest with a value of 12,837 dollars. This is because they had the lowest total program expenditure. Newfoundland and Labrador had the highest total expenditure at 17,212 dollars. They had the third-highest total program expenditure and by far the highest debt charges.

Chart 19: Total Expenditure per Capita by Province, 2021-2022



Source: New Brunswick Fiscal Database 2023, Table 21

IV. Government Budget Balance in New Brunswick

The budget balance is calculated by subtracting total expenditure, including debt charges, from total revenue. The province is said to be in a budget deficit if the total expenditure exceeds the total revenue, and so they must borrow funds for the programs. A budget surplus means that total revenue exceeds the total expenditure.

A. Total Revenues Versus Total Expenditure

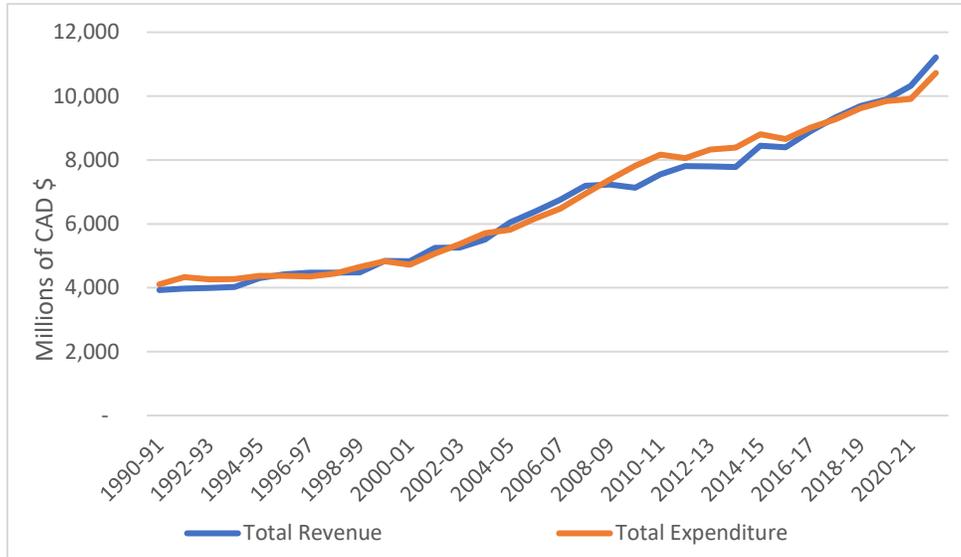
New Brunswick has run fifteen budget surpluses and seventeen budget deficits between 1990-1991 and 2021-2022 (Chart 20). As total revenue has increased at a rate of 3.49 percent per year and total expenditure has increased at a rate of 3.11 percent annually the budget balance has increased throughout this period. In 1990-1991 total revenue was lower than total expenditure, so there was a deficit of 179 million dollars. In 2021-2022 the revenue was higher than the expenditure, therefore there was a surplus of 777 million dollars.

All sub-periods had faster growth in total revenue than total expenditure, except for between 2000-2001 and 2007-2008 (Table 4). Therefore, there is an increase in the budget balance throughout the rest of the sub-periods. The last sub-period, between 2017-2018 and 2021-2022 has experienced a strong upward trend in the budget balance. New Brunswick's provincial government has been increasing their budget balance every year since 2014-2015 and has been running a budget surplus from 2017-2018. 2021-2022 is the largest surplus they have run throughout the entire period with a value of 777 million dollars. The largest deficit was run in 2010-2011 at a value of -695 million 2012 dollars.

Both budget balance per capita and budget balance as a percentage of GDP follow similar trends to the absolute value of the budget balance. All three experienced improvement in the

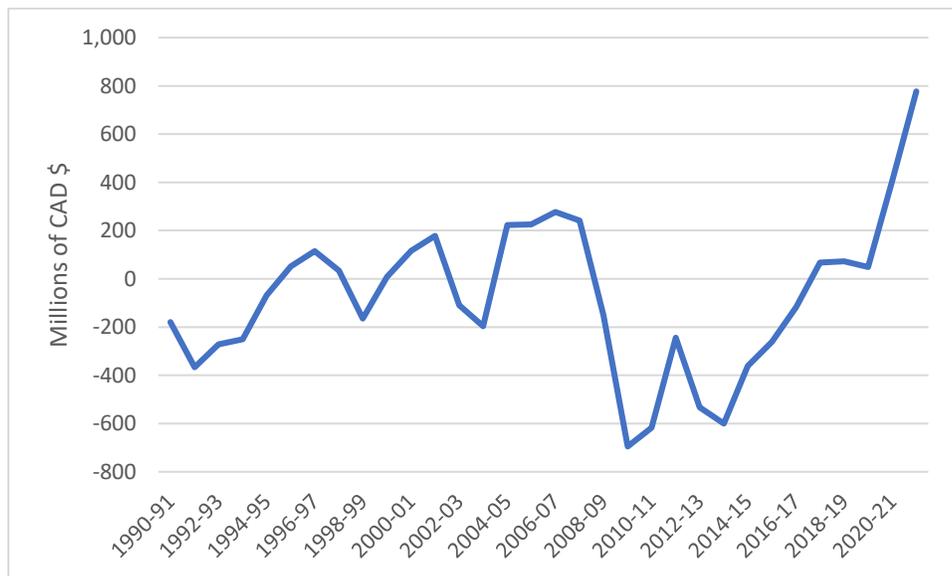
budget balance throughout all three periods. All three reached peaks in the years 1997-1998, 2002-2003, 2007-2008, and 2021-2022.

Chart 20: Total Revenue and Total Expenditure for New Brunswick, 1990-2021 (millions of CAD dollars)



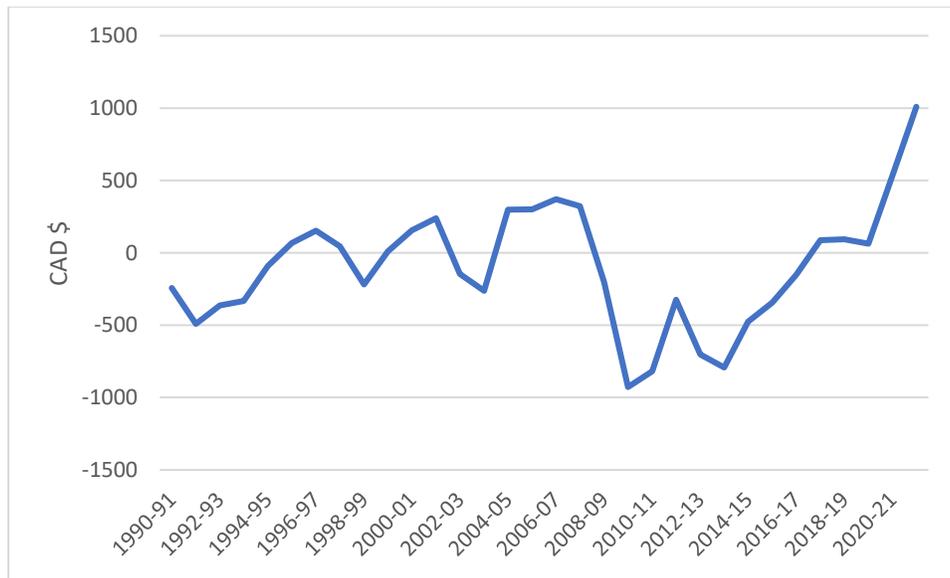
Source: New Brunswick Fiscal Database 2023, Table 10 and Table 13

Chart 21: Budget Balance of the Provincial Government for New Brunswick, 1990-2021
Panel A: Absolute Value (millions of CAD dollars)



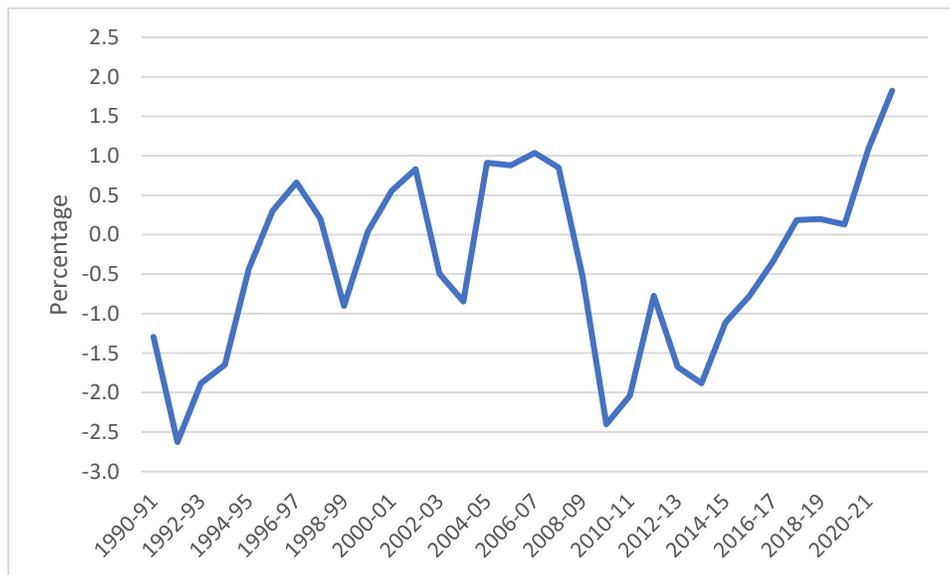
Source: New Brunswick Fiscal Database 2023, Table 14

Panel B: Per Capita



Source: New Brunswick Fiscal Database 2023, Table 22

Panel C: As a Percentage of Nominal GDP



Source: New Brunswick Fiscal Database 2023, Table 14 and Table 33

The recovery of New Brunswick’s fiscal situation by achieving budget surpluses since the 2017-2018 fiscal year can be explained by examining the total revenues and total expenditures. Growth of total revenue was very high between 2017-2018 and 2021-2022 at 5.51 percent per year (Table 4). This was the main driver behind the budget surpluses. Nevertheless, total revenue growth was also high between 2000-2001 and 2008-2009 at 5.15 percent per year. This period did achieve some budget surpluses, but not consistently because total expenditure grew even faster at 5.76 percent. Although revenue growth was the main driver behind the budget surpluses

in recent years, the New Brunswick provincial government was able to keep total expenditure growth relatively low at 3.44 percent per year, even during the pandemic.

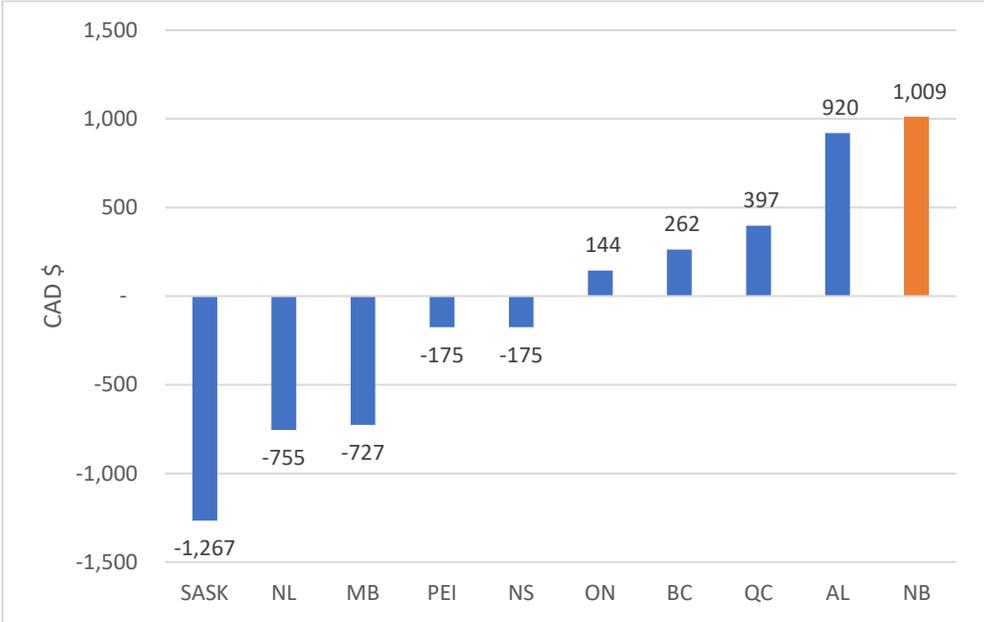
Table 4: Total Revenue and Total Expenditure 1990-1991, 2000-2001, 2008-2009, 2017-2018, 2021-2022 (average annual nominal growth rates)

| | Total Revenue | Total Expenditure |
|------------------------|---------------|-------------------|
| 1990-1991 to 2000-2001 | 2.71 | 1.40 |
| 2000-2001 to 2008-2009 | 5.15 | 5.76 |
| 2008-2009 to 2017-2018 | 3.89 | 2.56 |
| 2017-2018 to 2021-2022 | 5.51 | 3.44 |
| 1990-1991 to 2021-2022 | 3.49 | 3.11 |

Source: New Brunswick Fiscal Database 2023, Table 10 and Table 13

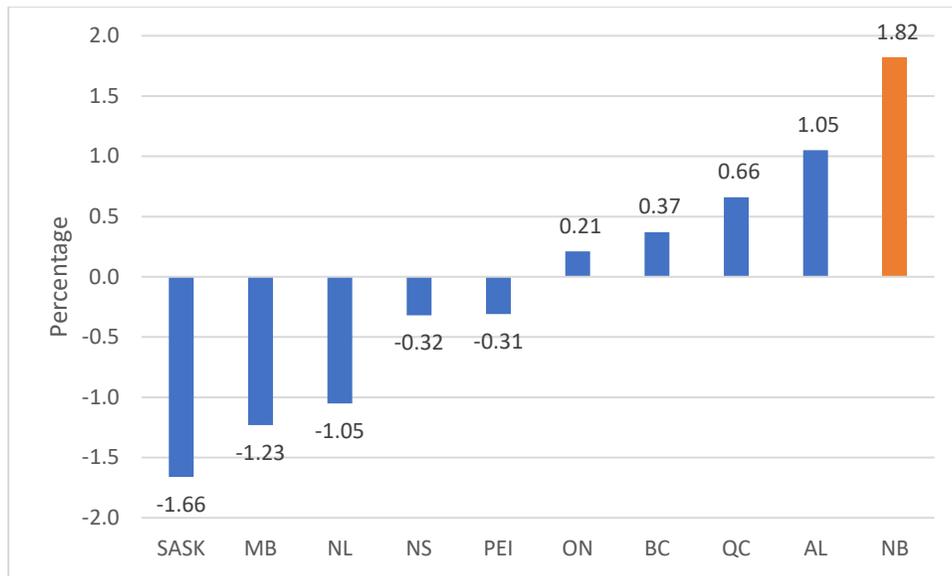
In 2021-2022 New Brunswick had the highest budget balance per capita and as a percentage of GDP of all the provinces. New Brunswick had a budget balance per capita of 1,009 dollars. Saskatchewan ranked last with a value of -1,267 dollars per capita. New Brunswick’s budget balance as a percentage of GDP was 1.82 percent. Saskatchewan ranked last for this as well with a value of -1.66 percent (Chart 22).

Chart 22: Budget Balance by Province, 2021-2022
Panel A: Per Capita



Source: New Brunswick Fiscal Database 2023, Table 22

Panel B: As a Percentage of GDP



Source: New Brunswick Fiscal Database 2023, Table 30

B. The Importance of Equalization Payments during the COVID-19 Pandemic

As discussed, total revenue growth was high between 2017-2018 and 2021-2022 at 5.51 percent per year. Federal transfers as a percent of GDP increased from 9.04 percent to 9.90 percent during the period. Equalization payments are 37.0 percent of federal transfers in New Brunswick, and they are important to maintaining a budget surplus in recent years.

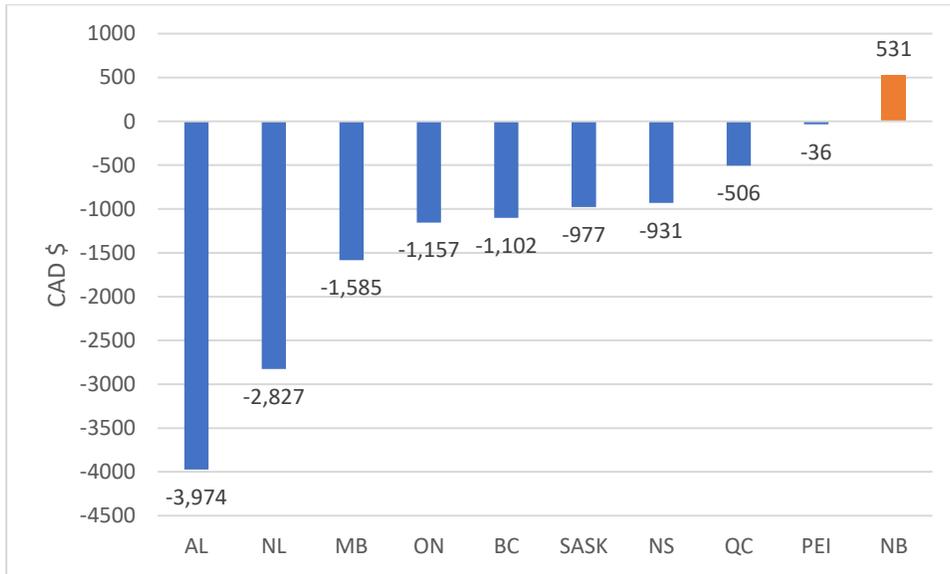
In 2020-2021 New Brunswick is ranked first in both per capita budget balance and budget balance as a percentage of GDP (Chart 23). Their budget balance per capita was 531 dollars per capita and that was 1.09 percent of New Brunswick's GDP. Alberta ranked last in both categories with a large budget deficit of 3,974 dollars, making up 5.72 percent of nominal GDP. They were also the only province that was able to run a budget surplus this year, during the COVID-19 pandemic.

It is interesting to note that the top four provinces in per capita budget balance all receive equalization payments, and therefore much higher federal transfers per capita (Chart 24). Also, the top three provinces in budget balance as a percent of GDP receive equalization payments. Equalization payments seem to make a large difference in the budget balance of these provinces.

Additionally, New Brunswick and Prince Edward Island are ranked first and second in both budget balance per capita and as a percentage of GDP. These are also the two provinces that receive the highest equalization payments per capita by a relatively significant margin. These findings continue to show that equalization payments seem to have the power to make large differences in the fiscal position of the province year-over-year.

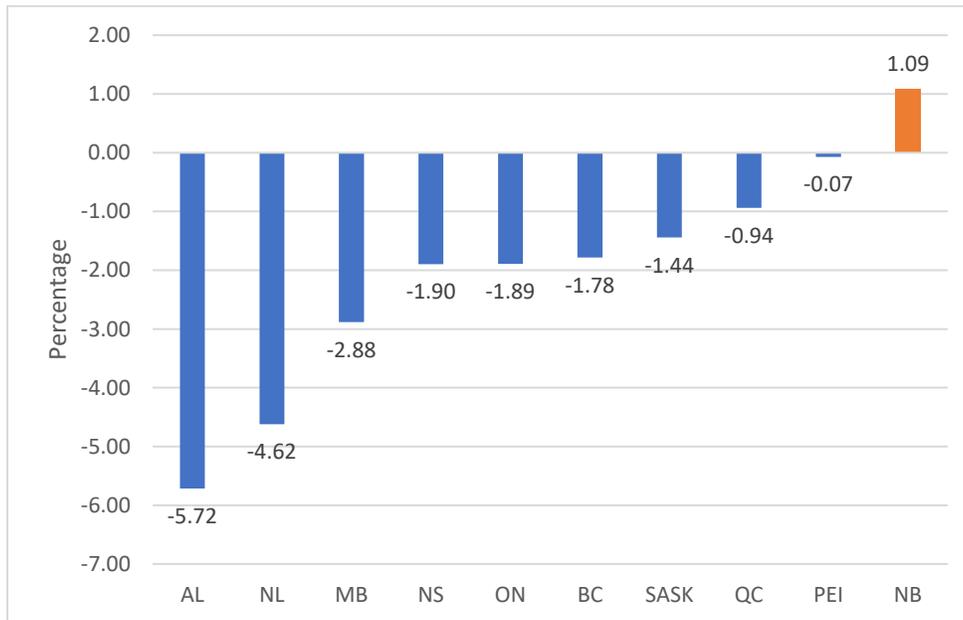
Chart 23: Budget Balance by Province, 2020-2021

Panel A: Per Capita



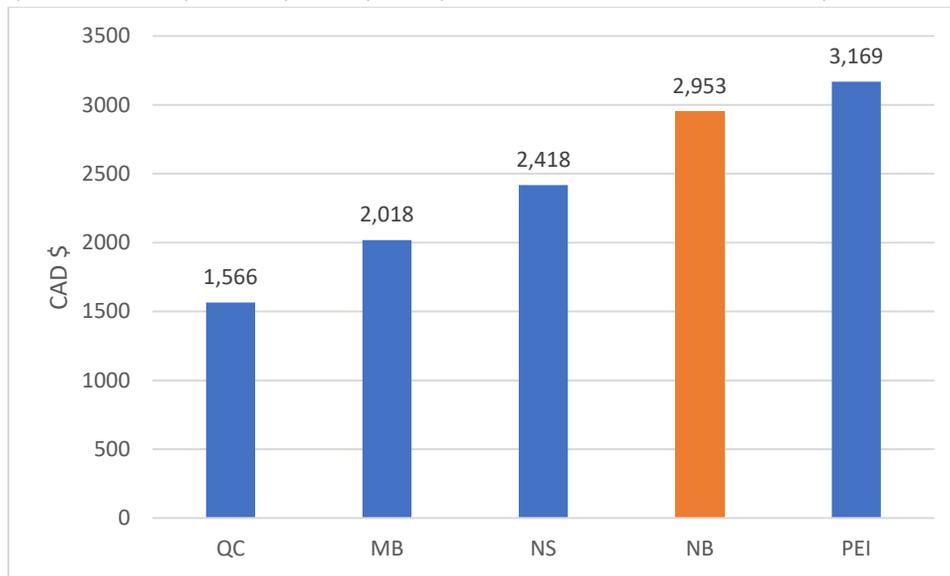
Source: New Brunswick Fiscal Database 2023, Table 22

Panel B: As a Percentage of Nominal GDP



Source: New Brunswick Fiscal Database 2023, Table 30

Chart 24: Equalization Payments per Capita by Province that Receive the Payment, 2020-2021



Source: New Brunswick Fiscal Database 2023, Table 32 and Table 42

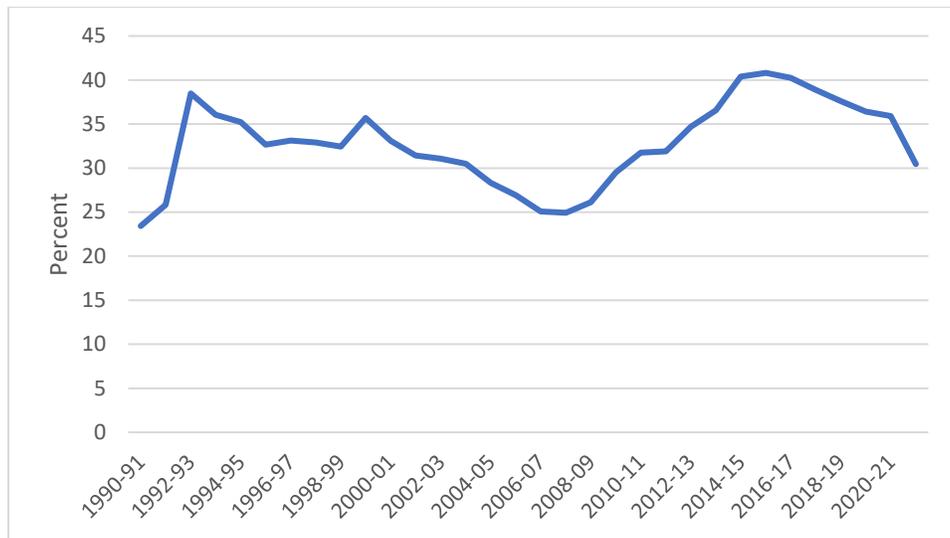
C. Government Debt Versus the Budget Balance

When the government decreases revenues or increases expenditure without the necessary means they must borrow, and therefore accumulate debt and interest payments that must be made in the following years. After the financial crisis of 2008 this was a problem for the provincial government of New Brunswick as well as many other provincial governments across Canada.

Between 1992-1993 and 2008-2009 the debt-to-GDP ratio was falling in New Brunswick (Chart 25). Then, between 2008-2009 and 2014-2015 provincial government debt-to-GDP ratio in New Brunswick increased by 14.26 percentage points (from 26.12 percent to 40.38 percent). However, since 2014-2015 the government made debt-to-GDP stabilization and decreases a priority and the debt-to-GDP has decreased by 9.92 percentage points, reaching 30.47 percent in 2021-2022.

The availability of the funds to decrease the debt-to GDP since 2014-2015 was largely due to an increase in the budget balance. This was achieved through both a decrease in provincial government expenditure and an increase in equalization payments. This will be further explored in Section 6.

Chart 25: Provincial Debt-to-GDP Ratio in New Brunswick, 1990-1991 to 2021-2022

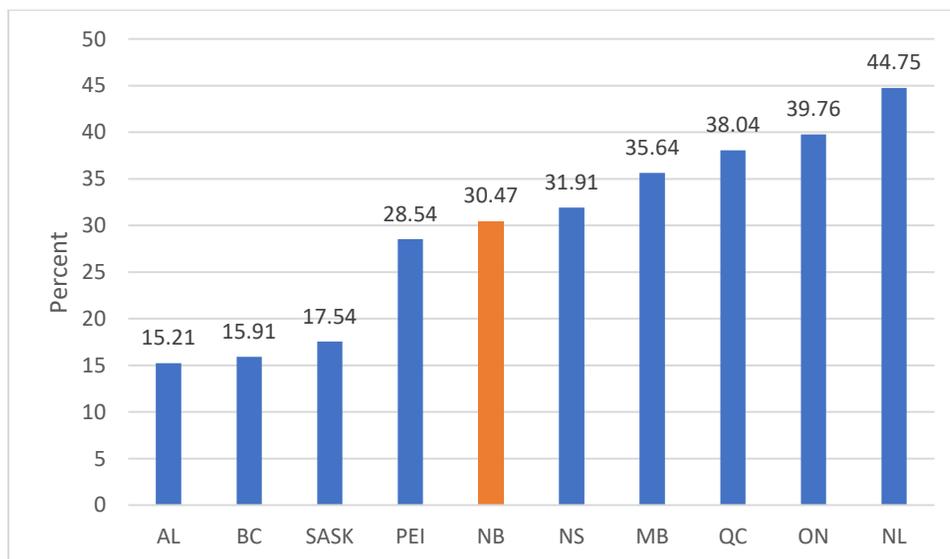


Source: CSLS New Brunswick Fiscal Database, Table 31

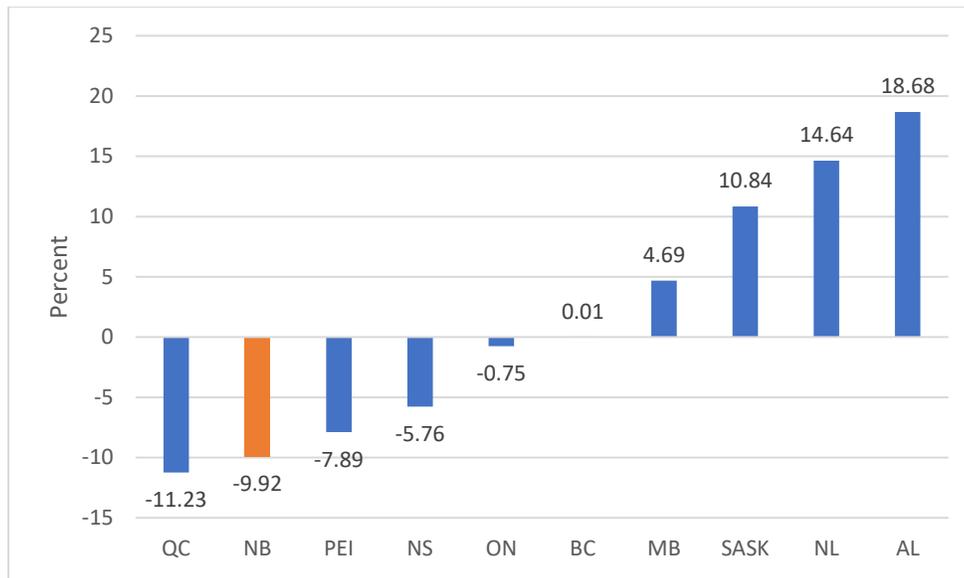
In 2021-2022 New Brunswick had the fifth lowest debt-to-GDP ratio of all Canadian provinces. Alberta fared the best with the lowest debt-to-GDP ratio with a value of 15.21 percent. Newfoundland and Labrador had the highest value at 44.75 percent.

When considering the absolute change between 2014-2015 and 2021-2022, when New Brunswick reduced its debt-to-GDP ratio, New Brunswick had the second-largest decrease in its debt-to-GDP ratio. Quebec had the greatest absolute decrease of 11.23 percentage points. The debt-to-GDP ratio in Alberta increased the most, by 18.68 percentage points. That being said, Alberta still has the lowest absolute value of the debt-to-GDP ratio (Chart 26).

Chart 26: Provincial Debt-to-GDP Ratio of all Provinces in Canada
Panel A: Absolute Value, 2021-2022



Panel B: Absolute Change, 2014-2015 to 2021-2022



Source: CSLS New Brunswick Fiscal Database, Table 31

V. Literature Review

A. Government Finance in New Brunswick (Kneebone, 2019)

Although the New Brunswick government has made deliberate policy choices that have led to the budget surplus since 2017-2018, as discussed in previous sections, not all changes in the debt charges are due to policy choices. Cyclical trends play an important role in these figures because when in an unfavorable economic situation, governments are highly constrained.

In a study by Ron Kneebone (2019), the accumulated deficit ratio in New Brunswick is broken down into the policy component and the cycle component. The cycle component is calculated using the debt ratio that is due to the economy being away from full employment and potential output growth. The policy component is the change in the debt ratio solely due to discretionary policy choices.⁸

This study was applied to the New Brunswick fiscal situation between 1982-83 and 2016-17. Between 1982-1993 and 2016-2017 the accumulated deficits as a percentage of provincial GDP increased 2.1 percentage points. Of that 2.1 percentage point increase only 1.0 percentage points were caused by policy choices and 1.1 percentage points were simply due to cyclical influence. Nevertheless, there have been periods where discretionary fiscal decisions have had great influence. Between 1994-1995 to 2007-2008 solely the policy component had a 9.6 percentage point decrease in the debt ratio due to fiscal virtue. Then, between 2008-2009 and 2015-2016 policy decisions caused an 8.6 percentage point increase in the debt ratio due to fiscal recklessness.

⁸ For more discussion on the methodology behind this study, see sections 4 and 5 of the paper “Government Finance in New Brunswick” (Kneebone, 2019)

To explain these periods of large increases and decreases in the accumulated deficit ratio this study explored the political cycle. Interestingly, this study found that there was little difference in the fiscal virtue and recklessness between political parties in New Brunswick. Between 1982-1983 and 2016-2017 the annual average amount of debt accumulated because of policy choices as a percentage of GDP was an increase of 0.05 percentage points for the Progressive Conservative Party and 0.00 percentage points for the Liberal Party (Table 5). That being said, both political parties added and subtracted a lot from the average accumulated deficit in certain years. For example, as mentioned above, between 2008-2009 and 2015-2016 fiscal recklessness caused a large increase in policy-induced debt, but New Brunswick during this period was under both Liberal and Conservative governments.

Table 5: The Political Box Score in New Brunswick Provincial Government, 1982-1983 to 2016-2017

| | Progressive Conservative Party | Liberal Party |
|-----------------------------------------------------------------------------------------------|--------------------------------|---------------|
| Years in government | 18 | 17 |
| Total debt accumulated because of policy choices, percentage points of GDP | +0.9 | 0.0 |
| Annual average amount of debt accumulated because of policy choices, percentage points of GDP | +0.05 | 0.0 |

Source: Kneebone, R. (2019) "Government Finances in New Brunswick," *Atlantic Canada Economic Review*, Vol. 1, No. 1.

Finally, this study looked at the impact of tax revenue (T*) and government spending (G*) choices on the level of policy-induced changes in accumulated deficits. This was done by comparing the year-over-year change in government spending and tax revenue between years that the policy-induced influence increased debt (16 years) and when it decreased the debt (18 years) during the period between 1982-1983 and 2016-2017. During times of policy-induced debt accumulation between 1982-1983 and 2016-2017 the average change in per capita government spending was 170 2017 dollars and the average change in tax revenue was 111 2017 dollars (Table 6). During times of policy-induced debt reduction during this period the average annual change in government spending was \$197 and the average change in tax revenues was \$274. During debt reduction years government spending increased slightly more than during debt accumulation years. This means that an increase in tax revenues has been much more important than a decrease in government spending to decrease the accumulated budget deficit.

Table 6: Fiscal Policy Choices During Periods of Debt Reduction and Expansion in New Brunswick (2017 per capita dollars), 1982-1983 to 2016-2017

| Average change during periods of policy-induced debt accumulation | | | | | Average change during periods of policy-induced debt reduction | | | | |
|-------------------------------------------------------------------|------|------|------|--------|----------------------------------------------------------------|------|------|------|--------|
| G* | T* | | | | G* | T* | | | |
| 170 | 111 | | | | 197 | 274 | | | |
| | PIT* | CIT* | RST* | Other* | | PIT* | CIT* | RST* | Other* |
| | 29 | -5 | 33 | 54 | | 46 | 15 | 27 | 186 |

Source: Kneebone, R. (2019) "Government Finances in New Brunswick," *Atlantic Canada Economic Review*, Vol. 1, No. 1.

B. Policy Forum: Is New Brunswick Heading over the Fiscal Cliff? (Saillant and Emery, 2020)

New Brunswick has been improving its fiscal situation in recent years and has taken deliberate policy decisions to reach this goal. Nevertheless, in a study published by Richard Saillant and Herb Emery (2020), they are skeptical of New Brunswick's ability to continue the trend of an improved its fiscal situation. The authors largely directed their skepticism towards an aging population in the province.

First, the exit of the baby boomers from the labour force will slow economic growth in the province. With the aging population the possibility of funding program expenditure through own-sourced revenues weakens. New Brunswick does not have room to increase taxes because the ratio of provincial taxes to GDP was 14.1 percent in New Brunswick in 2017. This is one third more than Ontario's ratio and two times the ratio of Alberta, the authors point out.

Luckily federal transfers, especially equalization payments, have increased rapidly in New Brunswick in recent years due to Ontario no longer being eligible for equalization payments and Ontario's share being allocated to the remaining provinces. That being said, this increase of federal transfers due to Ontario no longer receiving the payments will not contribute to an increased growth of federal transfers in the future. Saillant and Emery state that New Brunswick should expect equalization payment growth to now be in line with Canadian GDP growth.

Next, the authors state that New Brunswick spending on healthcare due to an increasing population will increase in future years as people aged 65 to 69 years cost 6,000 dollars per capita in health care, people aged 75 to 79 years cost 11,000 dollars per capita in healthcare, and 85 to 89 years old spend 23,000 dollars per capita on healthcare (Saillant and Emery, 2020). They point out that, in New Brunswick, the number of seniors aged 75 and older will more than double in the next two decades, greatly increasing spending on healthcare.

Lastly, healthcare in spending has closely followed the Canadian average because they have to compete with other provinces for people to work in its healthcare industry. Other provinces in Canada have more room to increase taxes and have faster growing economies to provide this increased care for its seniors. New Brunswick will therefore be forced to increase its healthcare spending.

Saillant and Emmery explain that New Brunswick's fiscal situation will likely be dependent on choices of other provinces and the federal government. They finish by saying that "New Brunswick may be about to find out that it is not a self-sufficient island and its hoped for a restored fiscal situation will depend on the policy choices of other provinces and Ottawa" (Saillant and Emmery, 2020, p. 1024). If other provinces increase healthcare compensation and program expenditure New Brunswick will not be able to follow.

C. New Brunswick's Debt and Deficit: A Historical Look (Murrell and Fantauzzo, 2014)

As discussed throughout the paper, the recovery of New Brunswick's fiscal situation took many attempts and multiple strategies to achieve a budget surplus. In a paper by Daivid Murrell and Saun Fantauzzo they look at New Brunswick's deficit before they achieved a surplus (2014).

First, they looked at the decreasing revenues between 1981-1982 and 2014-2015, which fell each decade as a percent of GDP. They show that this was largely due to a decrease of equalization payments between 1981-1982 and 2014-2015 (from 6.3 percent of GDP to 5.1 percent of GDP). The authors explained this decline as due to the declining performance of Ontario and Quebec, leading to higher transfers to these two provinces.

Second, they explained that between 1981-1982 and 2011-2012 provincial expenditure as a share of GDP decreased, but between 2011-2012 and 2014-2015 there had been a large increase in program expenditure. This was largely due to high spending on healthcare (8.1 percent of GDP in 2014-2015), education (5.2 percent of GDP), and central government (2.5 percent of GDP).

Lastly, they addressed the New Brunswick provincial government's attempt to improve its fiscal situation. The government of New Brunswick announced a wage freeze in 2009, had public service cuts, and pension reform. The authors stated that they have helped, but due to the size of New Brunswick's debt, it is essential that there be additional consolidations in future years (Murrell and Fantauzzo, 2014).

It is interesting to compare the findings of this study, which considers data until the 2014-2015 fiscal year, to the data that is currently available in this report. The most distinct difference between 2014-2015 and 2021-2022 is the level of federal transfers, especially equalization payments. In 2014-2015 the authors of this paper believed that the declining equalization payments would continue, due to higher percentages of the federal budget going to Quebec and Ontario. This turned out not to be entirely accurate, as between 2019-2020 and 2022-2023, Ontario did not receive any equalization payments and therefore New Brunswick's equalization payments greatly increased due to this.

The paper by David Murrell and Saun Fantauzzo presented data and explanations for New Brunswick's declining fiscal situation between 1981-1982 and 2014-2015. This report attempts to explain the recovery that has taken place since then.

VI. Looking Forward to the Future of Fiscal Trends in New Brunswick

An increase in federal transfers has greatly helped New Brunswick in achieving budget surpluses for the past five fiscal years. With increases of 6.41 percent per year of federal transfers since the budget surpluses started in the 2017-2018 fiscal year this has greatly increased the total revenue of New Brunswick and contributed to their high budget balance.

The increases in federal transfers have been dominated by increases in equalization payments received by the New Brunswick provincial government. Since the 2017-2018 fiscal year equalization payments have increased at a rate of 6.62 percent per year. In 2021-2022 equalization payments were 65.3 percent of major transfers. These equalization payments have been the most essential federal transfer to achieve a budget surplus.

New Brunswick's low total expenditure has also greatly helped them to achieve a high budget balance. During the 2021-2022 fiscal year, they had the third lowest per capita expenditure. They also had the slowest growth rate of total expenditure of all provinces at 2.24 percent per year between 2017 and 2021. New Brunswick had the lowest per capita expenditure

on healthcare of all the provinces. This low expenditure has also been very important in achieving a budget surplus.

A. The Debate Between Increased Expenditure and Decreasing Taxes

As mentioned, there is debate on how New Brunswick should move forward concerning their budget balance. They have been achieving budget surpluses from 2018 onward, but many say that New Brunswick's citizens currently need more government aid. Nevertheless, the best way to aid New Brunswick's citizens is up for debate. Decreasing tax revenues or increasing program expenditure would both decrease the budget surplus and potentially help the citizens of New Brunswick.

The Fraser Institute has recently put out a study confirms the findings of this report, saying that New Brunswick's restraint in government spending, in comparison to the other Maritime provinces, has greatly contributed to the positive fiscal outcomes including the budget surpluses since the 2017-2018 fiscal year and the declining debt-GDP ratio (Eisen and Palacios, 2023). This study notes that government revenues have been growing rapidly between the 2010-2011 and 2022-2023 fiscal years and if this trend continues, they propose that there will be room for tax reductions. This study projected the budget balance in New Brunswick between 2022-2023 and 2032-2033 based on the trends in New Brunswick's revenues and spending since 2010-2011. They found that by 2032-2033 the real budget surplus would be 3,104 dollars per person, or a total of 2.5 billion dollars. To maintain the current budget surplus there could be a decrease in revenues of 17.9 percent.

This study proposes that an income tax reform would promote growth in the province. It is calculated that the average income tax bill for the citizens in New Brunswick could be reduced by 3,604 dollars. They also propose that in 2021-2022 the New Brunswick sales tax collected less than 2.2 billion dollars, meaning it could be eliminated entirely, saving the typical New Brunswick family more than 4,100 dollars a year (Goldberg, 2023).

Others disagree with this approach and do not think tax reductions are the best choice for the provincial government of New Brunswick. Rod Hill, a retired economics professor at the University of Saint John, expressed his concerns about the findings of the Fraser Institute study (Chilibeck, 2023). While it is true that New Brunswick has greatly strengthened its financial situation, Hill thinks there is no reason to say this means taxes should be cut. He does not believe that tax reductions would lead to economic growth and that it would decrease the level of economic equality in the province. Hill suggests investment in affordable housing and publicly provided personal elderly support workers.

Another concern comes from the Liberal and Green opposition parties. Higg's Progressive Conservative Party has focused on debt reduction and is continuing to run an estimated 40 million dollar surplus during the 2023-2024 fiscal year. Opposition parties argue that this money could be used to aid the struggling healthcare system and implement programs to help lower- and middle-income earners.

As explained, there is a debate on whether tax reductions or increased government expenditure is the best way to decrease the budget surplus in New Brunswick. That being said,

both arguments agree that with the growth of government revenue and current government fiscal situation, a focus on debt reduction no longer needs to be the only priority.

B. The Possibility of Necessary Government Spending in the Future

Although the budget surpluses in New Brunswick from 2017-2018 have greatly improved the fiscal situation in the province there are reasons to believe that over the next decade government spending in the province will be forced to substantially increase. In New Brunswick there are also specific costs that may be attributed to the province including NB Power debt and local government debts. Some of these reasons are apparent throughout the country with an aging population, health care challenges, and climate change costs.

First, the auditor general of New Brunswick expressed concerns with debt that may be added to the province’s financial statement. For example, NB Power’s ability to be self-sustaining through rate payers is in question due to high debt levels, operating challenges, and capital investment required soon. If NB Power became unable to be self-sustaining the provincial government financial statement would need to include NB Power’s 4.7 billion dollars in borrowings. This could impact the annual surplus, net debt, indicators of sustainability, and credit rating of the provincial government (Martin, 2022). Another example is the New Brunswick Municipal Finance Corporation which has a debt of just under 1 billion dollars, relating to needs to the local governments, which likely will be the responsibility of the provincial government.

Second, the median age in New Brunswick in 2021 was 46.8 years, higher than the national level of 41.6 years (Table 7). In 2021 those aged 85 or over made up 2.5 percent of the population of New Brunswick. New Brunswick is the province with the highest percentage of citizens aged 85 and over. New Brunswick is the province with the second highest median age, only behind Newfoundland and Labrador. Furthermore, the average age will continue to increase for the foreseeable future (Statistics Canada, 2022). In 2043, it is predicted that 5.3 percent of New Brunswick’s population will be 85 years or older. With more people retired, there will be a smaller percentage of the population that is in the workforce, likely lowering tax revenue and causing a shortage of labour supply. For these reasons, the aging population will likely lead to increased spending and lower tax revenues.

Table 7: Distribution of Population by Age for Canada and New Brunswick, 2016 and 2021

| | Canada | | New Brunswick | |
|-----------------------|--------|------------------|---------------|------------------|
| | 2021 | 2043 (Projected) | 2021 | 2043 (Projected) |
| 85 years and over (%) | 2.3 | 4.7 | 2.5 | 5.3 |
| Median age (years) | 41.6 | 44.1 | 46.8 | 48.9 |

Source: Statistics Canada, Table 98-10-0020-01

With an aging population and an ongoing healthcare shortage the province will likely have to invest in the health care system to properly take care of its citizens. It is found in a report for the C.D. Howe Institute that by 2064, healthcare expenditure as a percent of provincial revenue will be 21 percent. This is very high in comparison to the 9 percent draw on provincial revenue in 2015 (Robson, Busby, and Jacobs, 2015). This study explains that health care will be essential with an aging population as the average health care cost of someone in their 70s is

almost double that of someone in their 50s. This health care investment will further increase spending in future years.

Lastly, the climate challenges that all governments are currently facing will likely become increasingly important throughout the next decade. The federal government's 2022 budget shares that a minimum required annual investment of 125 billion dollars is needed to reach a net-zero economy in 2050 (Government of Canada, 2022). In 2022, the annual investment in climate is between \$15 billion to \$25 billion. It will be important for all levels of government to collaborate to reach a net-zero economy, meaning provincial government spending will also increase. For example, the Atlantic Loop is being planned across all levels of government to provide hydroelectricity from Quebec and Labrador into Maritime provinces to help reach the net-zero economy. Although this will increase the use of clean energy, it is unknown what the New Brunswick government will have to spend for this project (Natural Resources Canada, 2022).

As explained, there is reason to believe that the provincial government of New Brunswick will be forced to increase the level of annual government expenditure due to the possibility of more debt, an aging population, a need for health care spending, and climate change. The provincial government will have to focus on efficient and sustainable policy decisions to properly invest in the future of the citizens of New Brunswick.

C. Future Budgets: 2022-2023 and 2023-2024

The 2022-2023 and 2023-2024 New Brunswick budgets can give insight into how the province is planning on moving forward. This will show if they listen to the critics that say they need to increase program expenditure or stay true to the belief of many citizens that believe budget surpluses are needed after many years of deficits.

The 2022-2023 budget did see some increases in program expenditures. The most notable of these was an increase of 6.4 percent in healthcare expenditure. There were also decreases in property tax rates and tax relief for income tax. Nevertheless, the budget in 2022-2023 was marketed as one that New Brunswick can afford, meaning an estimated budget surplus of 862,613 million current dollars (Department of Finance and Treasury Board for the Province of New Brunswick, 2023). A more recent report suggests that the surplus was 1,013 million current dollars (Whalen, 2023).

The 2023-2024 budget was released in March 2023 and is a drastic shift from the budgets of the last three years. The expected surplus is small, only 40.3 million current dollars. First, there is an increase in program expenditure. Healthcare spending is increasing by 10.6 percent from the previous year. The education budget will increase by 33.3 million current dollars. Social programs are receiving a budget increase of 13.4 million current dollars. Not only will expenditures increase, but tax revenues will decrease. Personal income tax rate reductions will be apparent throughout 2023 (Department of Finance and Treasury Board for the Province of New Brunswick, 2023).

After many years of managing budget deficits and debt, New Brunswick will likely keep their efforts in trying to run budget surpluses. Nevertheless, in the most recent budget, the

surpluses are decreasing, and program expenditures are increasing. It is important that, although this expenditure is important, for New Brunswick not to return to the large deficits it faced after the 2008 financial crisis.

VII. Explaining the Fiscal Turn-Around Since 2009

In 2009-2010 New Brunswick began to reduce its budget deficit, which at the time was 695 million dollars (Table 8). Between 2009-2010 and 2021-2022 both an increase of revenue as a percent of GDP by 2.08 percentage points (from 24.66 percent to 26.73 percent) and a decrease of expenditure as a percent of GDP by 2.15 percentage points (from 27.06 percent to 24.91 percent) led to an increase in the budget balance. In 2021-2022 New Brunswick achieved a budget surplus of 777 million.

Throughout New Brunswick's fiscal recovery multiple strategies were used by different governments to reach a budget surplus in 2017-2018 and continue to improve the fiscal situation since then. Three different periods will be studied to explain the turn-around. The first period is between 2009-2010 and 2014-2015. For most of this period (between 2010 and 2014) the New Brunswick provincial government was under a Progressive Conservative government with leader Daivid Alward. The second period studied is between 2014-2015 and 2017-2018. During this period the government was under a Liberal government with leader Brian Gallant. The last period to explain the fiscal turnaround in New Brunswick was between 2017-2018 and 2021-2022. Blaine Higg's and his Progressive Conservative Party have been in power since October 2018. The leaders of both parties were able to improve the budget balance in New Brunswick using strategies that will be detailed in the section below.

First, between 2009-2010 and 2014-2015 New Brunswick was able to reduce the budget deficit by 334 million dollars. This is due to an increase in revenue as a percent of GDP throughout the period by 1.37 percentage points (from 24.66 percent to 26.03 percent) throughout the period. With higher revenues the government decided to save much of these additional funds in an attempt to reduce the budget deficit. Expenditure as a percent of GDP only increased by 0.08 percentage points throughout the period.

The increase in the province's revenue between 2009-2010 and 2014-2015 was due completely due to own-sourced revenues, which increased as a percent of GDP by 2.18 percentage points (from 14.49 percent to 16.67 percent) between 2009-2010 and 2014-2015. All sub-components of own-sourced revenue increased, as a percent of GDP, throughout the period, with retail sales tax and other own-sourced revenues increasing the most throughout the period (0.59 percent for the retail sale tax and 1.46 percent for other own-sourced revenues). Not all components of revenues experienced this increase. Federal transfers as a percent of GDP fell by 0.9 percentage points throughout the period. Even as federal transfers as a percent of GDP fell, with high own-sourced revenue, total revenue as a percent of GDP experienced a large increase throughout the period.

Then, between 2014-2015 and 2017-2018 New Brunswick achieved an increase of the budget balance by 428 million dollars. This was largely due to a decrease in expenditure. Expenditure as a percent of GDP decreased by 1.26 percentage points (from 27.14 percent to

25.88 percent) throughout the period. Revenues as a percent of GDP continued to increase during the period, but only by 0.04 percentage points. Between 2014-2015 and 2017-2018 federal transfers as a percent of GDP decreased by 0.23 percentage points.

Decreases in expenditure as a percent of GDP between 2014-2015 and 2017-2018 were caused by decreased spending on health, education, and debt services. Expenditure on education as a percent of GDP decreased by the most throughout the period, by 0.97 percentage points (from 6.42 percent to 5.45 percent). Spending on health as a percent of GDP decreased by 0.28 percentage points (from 8.74 percent to 8.46 percent) and spending on debt services as a percent of GDP decreased by 0.23 percentage points (from 2.09 percent to 1.86 percent).

Finally, between 2017-2018 and 2021-2022 the budget balance in New Brunswick increased by 710 million dollars. This is due to both an increase in revenues and a decrease in government expenditure. Between 2017-2018 and 2021-2022 revenue as a percent of GDP increased by 0.67 percentage points (from 26.07 percent to 26.73 percent). During this period, expenditure as a percent of GDP decreased by 0.97 percentage points (from 25.88 percent to 24.91 percent).

Between 2017-2018 and 2021-2022, the increase in revenue as a percent of GDP is due to an increase in equalization payments. Throughout the period equalization payments as a percent of GDP have increased by 0.43 percentage points (from 4.91 percent to 5.34 percent). The CHT and CST as a percent of GDP have stayed similar throughout the period. Own-sourced revenues as a percent of GDP have decreased by 0.46 percentage points throughout the period. This large increase in equalization payments as a percent of GDP was able to more than offset the decrease of own-sourced revenue in New Brunswick.

The continued decrease in expenditure as a percent of GDP between 2017-2018 and 2021-2022 is due to decreases in both program expenditure and debt services. Program expenditure as a percentage of GDP has decreased by 0.60 percentage points (from 24.02 percent to 23.42 percent) throughout the period. Debt service as a percent of GDP has decreased by 0.37 percentage points (from 1.86 percent to 1.49 percent). Through continued decreases in expenditure, the New Brunswick budget balance has been able to continue to increase.

In summary, between 2009-2010 and 2014-2015, the budget balance increased through higher own-sourced revenues. Then, between 2014-2015 and 2017-2018 the budget balance continued to increase through decreased program expenditure, especially in education. Lastly, between 2017-2018 and 2021-2022 the increase in the budget balance was due to both an increase in equalization payments and a continued decrease in government expenditures.

The difference of techniques to increase the budget balance used by different governments demonstrates that the recovery of the fiscal situation in New Brunswick was not due to a single decision but was a complex process. There is not a singular way to achieve the goal of reaching a budget balance and different situations demand differing techniques. There are also circumstances out of the provincial government's direct control that will influence the budget balance including the federal government's decisions on federal transfer payments and economic situations, like the financial crisis of 2008.

Table 8: Components of the Budget Balance for New Brunswick, 2009-2010 to 2021-2022
(normalized to the provincial GDP)

Panel A: The Budget Balance

| | Budget Balance (millions of current dollars) | Net Debt (% of GDP) | Budget Balance (% of GDP) | Revenue (% of GDP) | Expenditure (% of GDP) |
|-------------------------------------------------|----------------------------------------------------|------------------------|------------------------------|-----------------------|---------------------------|
| 2009-2010 | -695 | 29.53 | -2.40 | 24.66 | 27.06 |
| 2010-2011 | -617 | 31.77 | -2.04 | 24.94 | 26.98 |
| 2011-2012 | -244 | 31.88 | -0.77 | 24.76 | 25.53 |
| 2012-2013 | -533 | 34.70 | -1.68 | 24.52 | 26.19 |
| 2013-2014 | -600 | 36.55 | -1.88 | 24.41 | 26.29 |
| 2014-2015 | -361 | 40.38 | -1.11 | 26.03 | 27.14 |
| 2015-2016 | -261 | 40.81 | -0.78 | 25.10 | 25.88 |
| 2016-2017 | -117 | 40.26 | -0.34 | 25.93 | 26.27 |
| 2017-2018 | 67 | 38.87 | 0.19 | 26.07 | 25.88 |
| 2018-2019 | 72 | 37.62 | 0.20 | 26.13 | 25.94 |
| 2019-2020 | 49 | 36.41 | 0.13 | 25.87 | 25.74 |
| 2020-2021 | 408 | 35.92 | 1.09 | 27.56 | 26.47 |
| 2021-2022 | 777 | 30.47 | 1.82 | 26.73 | 24.91 |
| Absolute change (2009-2010 and 2021-2022) | 1,472 | 0.94 | 4.22 | 2.07 | -2.15 |

Source: New Brunswick Fiscal Database, Table 12, Table 14, Table 26, Table 29, and Table 30

Panel B: Total Revenues (% of GDP)

| | Revenue (millions of current dollars) | Own- Sourced Revenue | Equalizati on Payments | Total Federal Transfers | Total Revenue |
|-------------------------------------------------|------------------------------------------------|----------------------------|------------------------------|-------------------------------|------------------|
| 2009-2010 | 7,129 | 14.49 | N/A | 10.17 | 24.66 |
| 2010-2011 | 7,550 | 15.26 | N/A | 9.68 | 24.94 |
| 2011-2012 | 7,813 | 15.65 | N/A | 9.11 | 24.76 |
| 2012-2013 | 7,795 | 15.08 | N/A | 9.44 | 24.52 |
| 2013-2014 | 7,784 | 15.38 | N/A | 9.02 | 24.41 |
| 2014-2015 | 8,449 | 16.76 | 5.13 | 9.27 | 26.03 |
| 2015-2016 | 8,397 | 16.27 | 4.99 | 8.83 | 25.10 |
| 2016-2017 | 8,902 | 16.81 | 4.98 | 9.12 | 25.93 |
| 2017-2018 | 9,339 | 17.03 | 4.91 | 9.04 | 26.07 |
| 2018-2019 | 9,697 | 16.89 | 5.05 | 9.25 | 26.13 |
| 2019-2020 | 9,892 | 16.36 | 5.29 | 9.51 | 25.87 |
| 2020-2021 | 10,318 | 16.53 | 5.90 | 11.24 | 27.56 |
| 2021-2022 | 11,391 | 16.83 | 5.34 | 9.90 | 26.73 |
| Absolute change (2009-2010 and 2021-2022) | 4,262 | 2.34 | N/A | -0.27 | 2.08 |

Source: New Brunswick Fiscal Database, Table 10, Table 24, Table 25, and Table 38

Panel C: Total Government Expenditure (% of GDP)

| | Expenditure (millions of current dollars) | Health | Social Services | Education | Other Program Expenditures | Total Program Expenditures | Debt Service | Total Expenditure |
|-------------------------------------------------|-------------------------------------------|--------|-----------------|-----------|----------------------------|----------------------------|--------------|-------------------|
| 2009-2010 | 7,825 | 8.95 | 3.40 | 5.61 | 7.00 | 24.96 | 2.10 | 27.06 |
| 2010-2011 | 8,167 | 8.88 | 3.43 | 5.69 | 6.86 | 24.86 | 2.12 | 26.98 |
| 2011-2012 | 8,058 | 8.65 | 3.26 | 5.54 | 5.98 | 23.43 | 2.10 | 25.53 |
| 2012-2013 | 8,328 | 8.76 | 3.31 | 5.62 | 6.42 | 24.11 | 2.08 | 26.19 |
| 2013-2014 | 8,384 | 8.75 | 3.38 | 5.76 | 6.33 | 24.21 | 2.08 | 26.29 |
| 2014-2015 | 8,811 | 8.74 | 3.44 | 6.42 | 6.46 | 25.06 | 2.09 | 27.14 |
| 2015-2016 | 8,657 | 8.67 | 3.58 | 5.52 | 6.09 | 23.85 | 2.03 | 25.88 |
| 2016-2017 | 9,019 | 8.55 | 3.64 | 5.50 | 6.62 | 24.31 | 1.96 | 26.27 |
| 2017-2018 | 9,272 | 8.46 | 3.54 | 5.45 | 6.57 | 24.02 | 1.86 | 25.88 |
| 2018-2019 | 9,625 | 8.33 | 3.61 | 5.52 | 6.73 | 24.19 | 1.75 | 25.94 |
| 2019-2020 | 9,843 | 8.34 | 3.65 | 5.56 | 6.51 | 24.06 | 1.68 | 25.74 |
| 2020-2021 | 9,910 | 8.77 | 3.71 | 5.62 | 8.37 | 24.74 | 1.73 | 26.47 |
| 2021-2022 | 10,614 | 8.49 | 3.52 | 5.30 | 6.11 | 23.42 | 1.49 | 24.91 |
| Absolute change between 2009-2010 and 2021-2022 | 2,789 | -0.46 | 0.11 | -0.31 | -0.89 | -1.54 | -0.61 | -2.15 |

Source: New Brunswick Fiscal Database, Table 13, Table 27, Table 28, and Table 40

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