

# Prince Edward Island

## Budget Highlights 2003-2004

### Fiscal Responsibility in the New Millennium

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# Prince Edward Island

## Budget Highlights 2003-2004

### Fiscal Responsibility in the New Millennium

#### Overview

##### Priority Areas

- Health Care
- Education
- Job Creation
- Community Development



*The legacy of responsible fiscal management is clearly paying off for Prince Edward Island and we are able to weather the economic and fiscal volatility that characterize the start of the new millennium.*

*Patricia J. Mella*

Patricia J. Mella  
Provincial Treasurer



### Fiscal Responsibility

#### Budget Summary:

|                                                                   | 2003-2004<br>Estimate<br>(\$ millions) | 2002-2003<br>Forecast<br>(\$ millions) | 2002-2003<br>Estimate<br>(\$ millions) |
|-------------------------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| <b>Revenue:</b>                                                   |                                        |                                        |                                        |
| Provincial Own Sources                                            | 610.2                                  | 608.0                                  | 591.3                                  |
| Federal Sources                                                   | 404.1                                  | 358.2                                  | 366.1                                  |
| Sinking Fund Earnings                                             | <u>13.2</u>                            | <u>16.3</u>                            | <u>16.1</u>                            |
| <b>Operating Revenue</b>                                          | <b><u>1,027.5</u></b>                  | <b><u>982.5</u></b>                    | <b><u>973.5</u></b>                    |
| <b>Expenditure:</b>                                               |                                        |                                        |                                        |
| Program Expenditures                                              | 911.8                                  | 870.7                                  | 859.2                                  |
| Interest Charges on Debt                                          | <u>105.4</u>                           | <u>100.9</u>                           | <u>106.5</u>                           |
| <b>Operating Expenditure</b>                                      | <b><u>1,017.2</u></b>                  | <b><u>971.6</u></b>                    | <b><u>965.7</u></b>                    |
| <b>Operating Fund Surplus Before<br/>Net Capital Expenditures</b> | <b>10.3</b>                            | <b>10.9</b>                            | <b>7.8</b>                             |
| <b>Capital</b>                                                    |                                        |                                        |                                        |
| Capital Revenue                                                   | 1.5                                    | 3.4                                    | 0.7                                    |
| Capital Expenditures                                              | <u>34.7</u>                            | <u>42.4</u>                            | <u>37.4</u>                            |
| <b>Net Capital Expenditures</b>                                   | <b><u>33.2</u></b>                     | <b><u>39.0</u></b>                     | <b><u>36.7</u></b>                     |
| <b>Operating Fund Deficit</b>                                     | <b>(22.9)</b>                          | <b>(28.1)</b>                          | <b>(28.9)</b>                          |
| <b>Changes in Accounting and<br/>Budgetary Policy</b>             |                                        |                                        |                                        |
| Change in Tangible Capital<br>Assets Policy                       | 12.6                                   | 28.9                                   | 26.2                                   |
| Net Deficit of Crown Entities                                     | <u>(1.1)</u>                           | <u>(8.8)</u>                           | <u>(10.0)</u>                          |
| <b>Consolidated Deficit</b>                                       | <b><u>(11.4)</u></b>                   | <b><u>(8.0)</u></b>                    | <b><u>(12.7)</u></b>                   |

## Fiscal Responsibility

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### Forecast 2002-2003:

Forecast Consolidated Deficit is \$8 million compared to the restated 2002-2003 Original Consolidated Deficit of \$12.7 million.

### Revenues:

Forecast Operating Revenues are up \$9 million from 2002-2003 Budget Estimate even though Equalization is down by \$15.9 million. The following are the major changes:

|                                     |                   |
|-------------------------------------|-------------------|
| Equalization                        | (\$ 15.9 million) |
| Personal Income Tax                 | \$ 8.0 million    |
| Sales Tax                           | \$ 6.9 million    |
| Canada Health and Social Transfer   | \$ 4.6 million    |
| Labour Market Development Agreement | \$ 2.8 million    |
| Property Tax                        | \$ 1.3 million    |
| Other                               | \$ 1.3 million    |

### Expenditures:

Forecast Operating Expenditures are up \$5.9 million from 2002-2003 Budget Estimate in the following areas:

|                                     |                  |
|-------------------------------------|------------------|
| Labour Market Development Agreement | \$ 2.8 million   |
| Development Assistance              | \$ 2.5 million   |
| Negotiated Salary Settlements       | \$ 1.9 million   |
| Employment Development Agency       | \$ 1.4 million   |
| School Construction                 | \$ 1.3 million   |
| School Board Funding                | \$ 1.2 million   |
| Debt Charges                        | (\$ 5.6 million) |
| Other                               | \$ 0.4 million   |

## Fiscal Responsibility

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### Budget Estimate 2003-2004:

### Tax Measures:

- (1) Health Tax on Tobacco will be raised by \$7 per carton of 200 cigarettes with proportionate increases on related tobacco products.
- (2) The Provincial Personal Income Tax disability credit will be raised from \$4,400 to \$5,400, commencing 2003. This will provide assistance to some 3,000 taxpayers and their families.
- (3) Implementation of a teacher school supply tax credit calculated on allowable expenditures of \$500 per year, against personal income tax.
- (4) Elimination of provincial property tax on non-commercial facilities owned and operated by the Royal Canadian Legions across Prince Edward Island; and the non-commercial provincial property tax will be lifted for 2003 from 43 ports across the province.
- (5) Municipalities will be exempt from provincial sales tax on purchases of liquid asphalt.

### Revenues:

Provincial source revenues will increase 3.2% or \$18.9 million from 2002-2003 Budget Estimates. This is due mainly to an increase in health tax on tobacco and increased growth in sales tax and property tax.

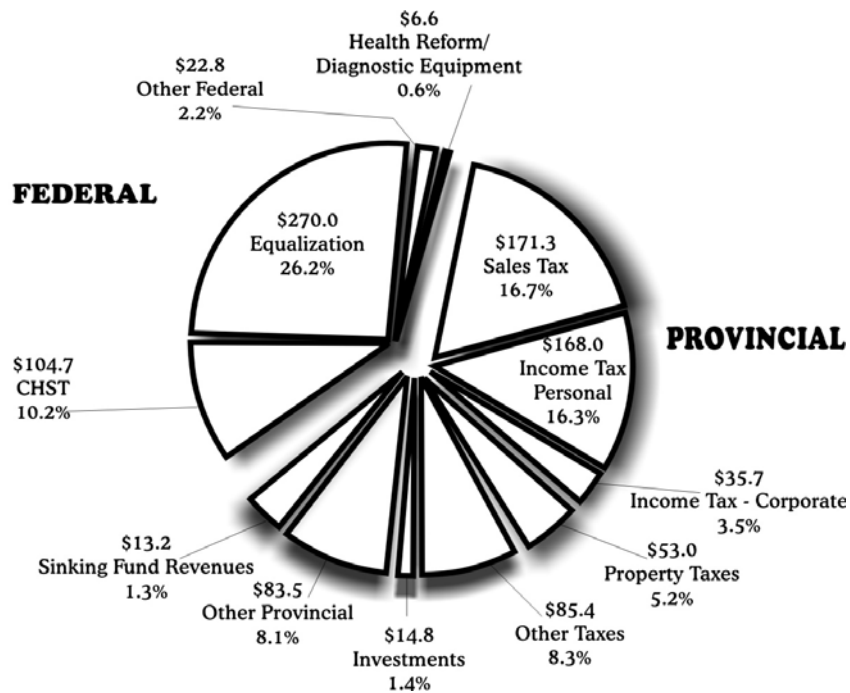
Federal source revenues will increase \$38 million which is made up of an increase in equalization of \$15 million and health funding of \$22.3 million.

### Expenditures:

Total operating expenditures are up \$51.5 million over the 2002-2003 Budget Estimate. Salary increases represent \$29 million of this increase while approximately \$15 million went to Health and Education. The remaining \$7.5 million, was disbursed to the other departments representing an increase of less than 1% of operating expenditures.

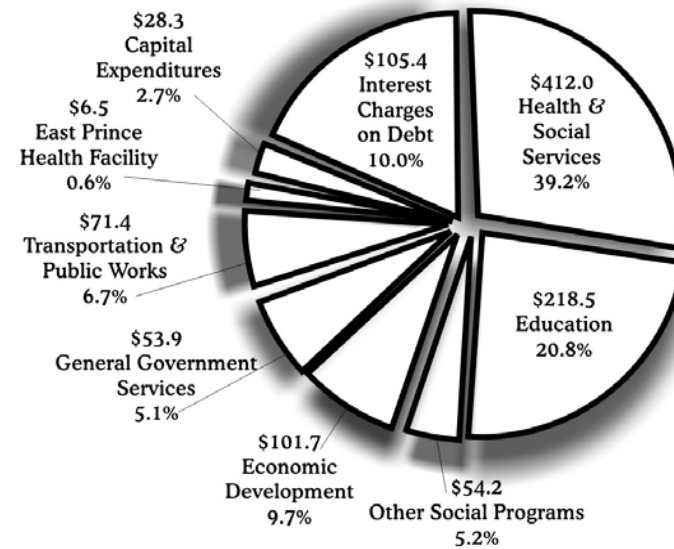
## Where the Money Comes From

### 2003-2004 Revenues Where the Money Comes From (\$ millions)



## Where the Money Goes

### 2003-2004 Expenditures Where the Money Goes (\$ millions)



## Health and Social Services

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### Achievements

- Eight family physicians and 10 specialists were recruited along with 42 physicians who provided locum services.
- Fourteen new nursing seats were established at the UPEI School of Nursing.
- A new Radiology Information System and associated Picture Archive and Communication System, the first in Canada implemented province-wide.
- Near completion of the new Prince County Hospital.
- In April 2002, an increase of 3% or \$890,000 was provided to financial assistance recipients to keep pace with increased costs.
- Construction of an additional ten-bed unit as part of the long-term care facilities at Community Hospital in O'Leary is well underway.
- Three Family Health Centers, at Sherwood (Four Neighbourhoods), Hunter River and O'Leary were established.
- County-based diabetes management services have been expanded.
- The Best Start Home Visiting Program was expanded to all Island communities.

### New Initiatives

- An additional \$400,000 has been provided for early childhood development initiatives.

## Health and Social Services

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### New Initiatives (continued)

- A new Seniors Home Repair Program will receive \$200,000 to assist low income seniors with essential home repair costs.
- Additional \$1 million has been provided to conduct repairs and capital improvements on health system facilities.
- A budget of \$1.7 million has been established for new medical and diagnostic equipment and technologies for acute care, long-term care and information system.
- Funding of \$375,000 has been allocated to provide new health services facilities adjacent to the Souris Hospital and allow for expansion of the Family Health Center in the Hospital.
- The establishment of the first MRI Diagnostic Imaging Service in the Province will be completed in July 2003 along with an enhancement to the Cancer Treatment Center to include Linear Accelerator in October 2003. Total capital cost of project is \$12 million. An operational budget of \$2.8 million has been provided in 2003-2004.
- Starting April 1, 2003, the Province will introduce a 3% increase to the financial assistance rates.
- Beginning this year, the implementation of a Meningococcal C Vaccination Program at a cost of \$262,000.
- A Healthy Living Strategy will be implemented in consultation with the Departments of Education and Community and Cultural Affairs at a cost of \$180,000.
- The Home Care and Support Program will be enhanced by expanding post-acute home nursing, tele-home care, home palliative care and in-home support services.

## Education

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### Achievements

- Additions to three schools have been completed: Parkdale Elementary School, Miscouche Consolidated School and Kinkora Regional High School at a total cost of \$7 million.
- Officially opened the new Francophone School and Community Centre (École Sur-Mer and Le Centre Belle-Alliance) in Summerside.
- Invested \$1.8 million in major repairs for 28 schools.
- Provided school boards with additional funding of \$1.2 million to meet increasing demands for services and also to hire 8.5 additional teachers.
- Completed the full implementation of a \$1.8 million program to develop, test and implement a new mathematics curriculum from kindergarten to Grade 12.
- Completed Phase I of the Provincial Autism Strategy.
- Provided \$300,000 to Atlantic Veterinary College to enhance teaching and research.
- Provided \$400,000 to Holland College for the Aerospace and Industrial Technology Centre.
- Established a new division of Technology in Learning and opened a new Education Technology Centre to support the integration of technology into classrooms.

## Education

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### New Initiatives

- Government has approved, in principle, a new Staffing and Funding Model for the school boards.
- The Department will invest \$1.2 million over three years to implement a new science curriculum.
- Increase operating grants to school boards by \$500,000 in addition to maintaining the extra funding received in 2002.
- Increase funding to Island kindergartens.
- Bluefield Senior High and Summerside Intermediate will be renovated at a total cost of \$12.0 million over two years.
- UPEI will receive an additional \$1 million in 2003-2004.
- Holland College will receive an additional \$1 million this year. Of this funding, \$120,000 is allocated to improve trades curriculum.
- Atlantic Veterinary College will receive a further \$500,000 this year to enhance teaching and research.
- MPHEC funding will increase \$480,000 to support students studying in other Maritime provinces in programs not available on Prince Edward Island.
- Early literacy funding will be increased by \$150,000.
- In-study income and scholarship exemptions in the P.E.I. Student Loan Program will be increased.
- The weekly loan limit for the Provincial Student Loan Program will increase from \$110 per week of study to \$165 per week of study.

## Other Departments

### Additional Funding

- Allocation of \$850,000 to upgrade sewage treatment facilities at Cabot, Linkletter and Northumberland Provincial Parks.
- Additional \$500,000 for general improvements to provincial parks and Visitor Information Centres.
- Future Farmer Program will be implemented to provide interest relief.
- This Budget provides for the funding of a new freshwater fisheries biologist.
- Establish new funding of \$475,000 to implement the new Sports Strategy.
- Re-establish Transportation and Public Works Capital Budget.
- Additional funding of \$500,000 for community development.
- Additional \$343,500 to the Water Management Division to support its work in managing, protecting and enhancing our groundwater and surface water resources.
- Additional emphasis and funding of \$75,000 for pesticide monitoring and control.
- Additional funding to support improvements in delivery of family law services.

## Summary Statistics

|                                                                              | 2001           | 2002                                     |
|------------------------------------------------------------------------------|----------------|------------------------------------------|
| Population on 1 July (in '000s)*                                             | 138.9          | 139.9                                    |
| Personal Income per capita* (\$)<br><i>As % of Canadian personal income</i>  | 22,597<br>80.5 | 23,578 <sup>1</sup><br>82.2 <sup>1</sup> |
| Employment (in 000's)                                                        | 65.9           | 67.1                                     |
| Unemployment Rate - PEI (%)<br><i>Unemployment Rate - Canada (%)</i>         | 11.9<br>7.2    | 12.1<br>7.7                              |
| CPI - Annual Change PEI (%)<br><i>CPI - Annual Change (%) Canada</i>         | 2.6<br>2.6     | 2.7<br>2.2                               |
| Retail Trade (\$ millions)*                                                  | 1,281.3        | 1,324.8                                  |
| New Motor Vehicle Sales (units)                                              | 4,635.0        | 4,996.0                                  |
| Farm Cash Receipts (\$ millions)*                                            | 337.4          | 369.6                                    |
| Potato Receipts (\$ millions)                                                | 126.0          | 194.2                                    |
| Lobster Landings (\$ millions)*<br><i>Lobster Landings (lbs - millions)*</i> | 104.8<br>19.4  | 105.4<br>19.9                            |
| Housing Starts (units)                                                       | 675            | 775                                      |
| Investment (\$ millions)                                                     | 597.4          | 652.4                                    |
| Manufacturing Shipments (\$ millions)*                                       | 1,201.3        | 1,315.9                                  |
| Tourist Expenditures (\$ millions)                                           | 310.0          | 331.8                                    |
| International Exports in Goods (\$ millions)*                                | 666.4          | 679.1                                    |
| GDP at Market Prices (\$ millions)*                                          | 3,480          | 3,692                                    |

\* Revised Data

<sup>1</sup> Provincial Treasury estimate

Sources: Statistics Canada; CMHC;

PEI Fisheries, Aquaculture and Environment; Tourism PEI