

APPENDIX I

Pre-Budget Consultations

On March 1, 1996, the Government of Newfoundland and Labrador released the pre-Budget document "*Making Choices for a Better Tomorrow*". This document outlined our sources of revenues, the programs and services we currently provide, our public sector debt and deficits, our current economic challenges and our future economic prospects. It also raised important issues and questions for the Province's first pre-Budget consultation process. The Government of Newfoundland and Labrador committed to this process because we believe that the people of our Province should have more opportunities to participate in making the choices that lead to provincial Budgets.

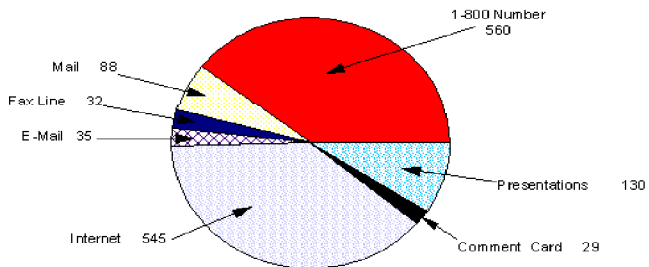
Public participation in the consultation process was possible through several means. A series of public meetings was chaired by the Minister of Finance with a small committee that included local MHAs. These meetings were conducted throughout March, in the following communities: Labrador City-Wabush, Happy Valley-Goose Bay, Corner Brook, Grand Falls-Windsor, Gander, Marystown, Clarenville and St. John's. At each forum the Minister gave a brief overview of the Province's fiscal position, which was followed by presentations from interested groups and individuals. A total of 130 presentations were made during the Province-wide consultations.

A toll-free 1-800 number was set up for individuals to obtain the consultation document, request information, or leave comments and suggestions. An Internet site, E-mail address, and dedicated fax line were established. Responses also could be made by way of a postage paid comment card or by writing the Minister. To facilitate the involvement of individuals with disabilities, the consultation document was available in alternate formats including audio cassette and computer file versions.

Approximately 1,400 groups and individuals participated in the consultation process. The number and diversity of the responses indicate that the people of this Province have a genuine concern for their programs and services, and the Government's finances. Submissions were received from people representing a broad spectrum of our society, ranging from individuals to national business associations, labour unions to small business owners, and community-based non-profit organizations. The number of people who demonstrated an interest and took the time to participate is very encouraging. The submissions were of great value to Government in making the choices leading to the 1996 Budget.

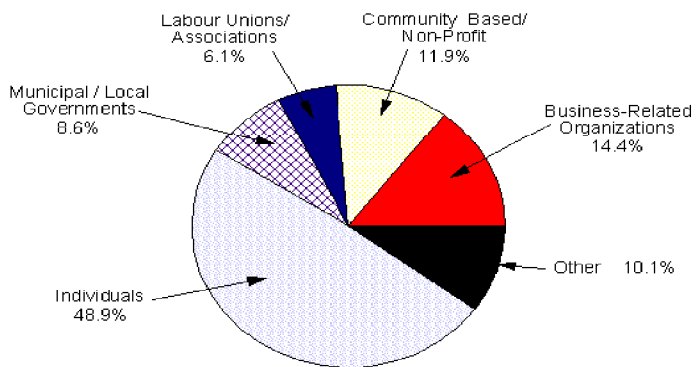
PARTICIPATION

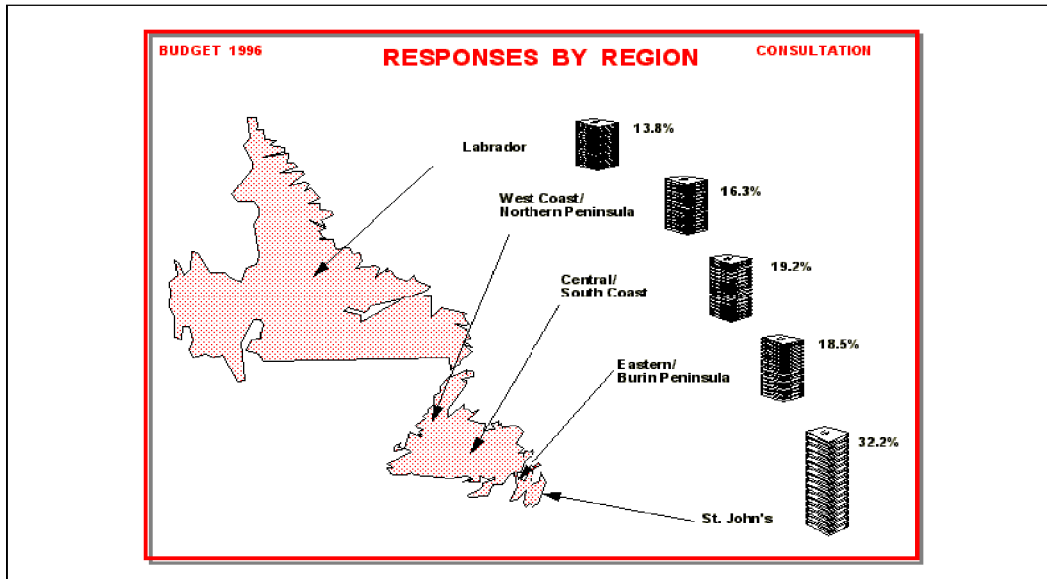
Total Contacts



WHO RESPONDED

BY GROUP





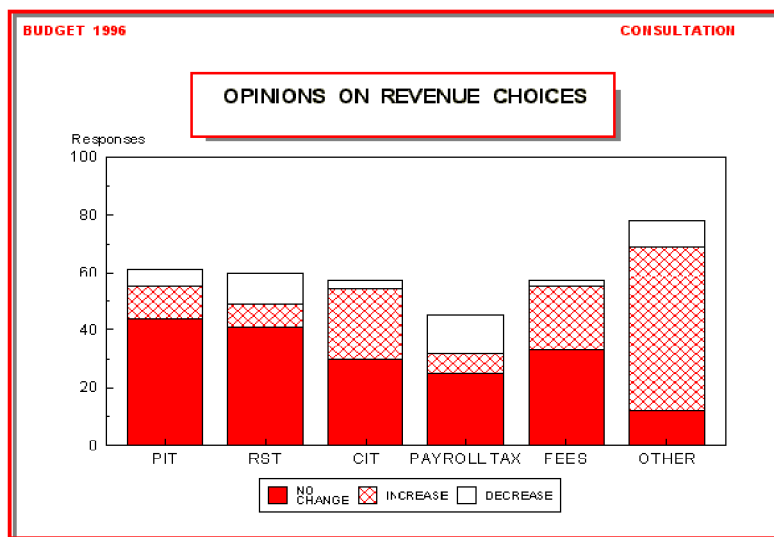
WHAT DID THE PEOPLE SAY?

Several common themes were evident from the presentations and submissions. A majority of participants felt that social programs must be Government's chief concern. Most respondents acknowledged the limitations of the current fiscal situation, with many indicating that savings could be achieved by Government through more efficient management and choice of services. Many responses further noted that the quality of essential front-line services must be maintained or enhanced, particularly in health. Many participants also recognized that there are limited options for raising additional revenues, and that borrowing is only a short-term solution.

THE MONEY WE NEED

Taxation and Fees

People feel that the overall tax burden in Newfoundland and Labrador is high. The personal tax burden was considered very heavy, particularly on lower and middle income families with many respondents pointing to the 12 percent RST rate. Many respondents believed that persons with high incomes could be taxed further. Some people felt that business was not paying its fair share while others felt that businesses should be encouraged to grow with lower levels of taxation. Others suggested that some new form of taxation be levied on companies with large profits, particularly financial institutions. Finally with respect to taxation, many indicated that there could be some room to raise additional revenues by increasing taxes on luxury items, and likewise, the idea of imposing new fees on specific services or increasing existing fees was proposed as an alternative to increasing direct taxation.



“User fees should be extended for Government services . . .” (Nelson Bennett, Pasadena)

Borrowing

Participants who discussed borrowing took a cautious approach. Most recognized that any borrowing was only a short-term solution to our financial situation. Some felt that the Province should borrow limited funds based on the potential of the Province’s resource developments, while others strongly urged that our programs must be protected at all cost even if borrowing was the only option. At the other extreme, a number of submissions indicated that any borrowing is unacceptable. In general a moderate view prevailed with the consensus emerging that a minimum level of borrowing would be acceptable.

“As a last resort, I would support moderate borrowing but only to the limit that does not affect our interest rates.” (Catherine Donovan, Holyrood)

- ***One third of the participants made reference to borrowing.*** A majority of these responses indicated that some borrowing would be acceptable - many felt that any borrowing should be kept to a minimum or manageable level.

There were a number of specific recommendations related to borrowing, including that our debt be restructured in light of current interest rates. The implementation of tax credits for personal investments and the possibility of issuing Newfoundland savings bonds also were mentioned as instruments that would allow individuals to invest in the Province.

SPENDING OUR MONEY

Health Care

People felt strongly about our health care system, and that the provision of adequate health care should be Government’s highest priority. Many felt that the health care system has undergone large cuts in the recent past, and any further reductions would threaten the

quality of services. However, it is realized that given the sheer size of the health care system, some expenditure reductions may be unavoidable.

“For the past few years I have seen our health care erode and doctors leave the province. I don’t think our health care should be cut any more.” (E-Mail Message)

Much of the discussion concerning the health sector centred around the provision of services at the community level. The need for an improved system which stresses a preventative approach over institutional care was a common theme. Likewise, increased coordination amongst the providers of social programs and services was seen as a means of distributing our resources further. Many people expressed a desire for more nurses, nursing assistants, technicians and other front-line workers at the community level.

“We feel there would be a better return on health care investment if institutional services are permitted to refine and hone their speciality skills while community health organizations emphasize people’s general good health in their communities.” (Neil Ludlow, Central Regional Community Health Board)

Education

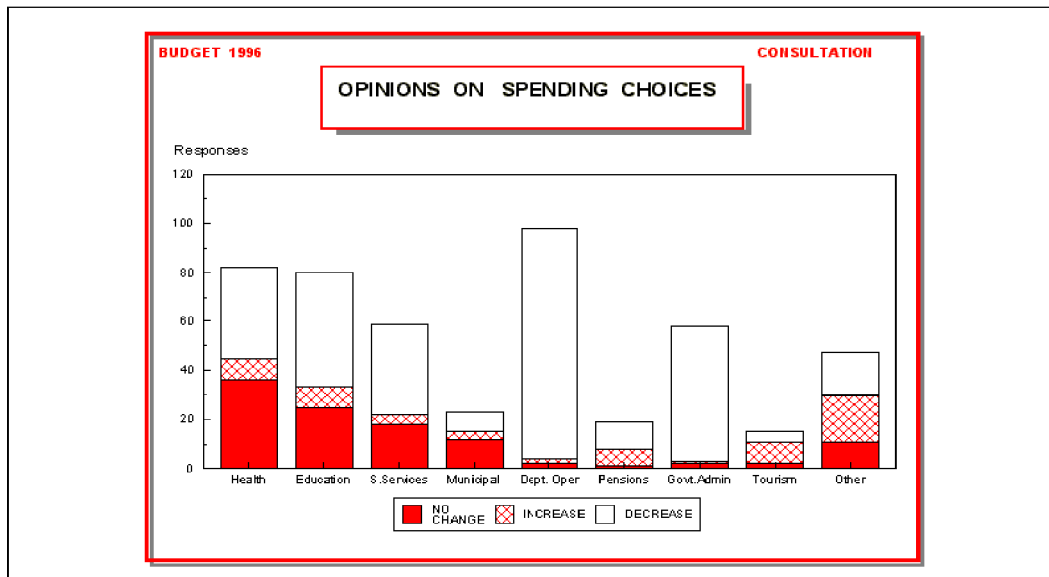
As with health care, education was also seen as a high priority for Government. However, the education system was considered to have more room for expenditure reductions and changes to programs. Many respondents strongly indicated that education reform must proceed to make the system more efficient and responsive. Our education system is important for future economic growth and must continue to provide our young people with skills that will enable them to compete in the work place of the twenty-first century.

“Education reform should be done as soon as possible for budgetary savings.” (Presentation by College Students, Grand Falls-Windsor)

Social Services

Social services and related programs were viewed by many respondents as another priority area for Government. In difficult economic times an effective support system must be in place to help people in need. Some respondents recognized the need for effective social assistance programs while indicating that such services were often abused. As with health, it was suggested that programs assisting people in need emphasize a community-based approach. People demonstrating need should be given the means and encouragement to help themselves and their communities.

“Social services must go beyond the provision of basic income support.” (Community Services Council of Newfoundland and Labrador)



Efficient Government

Many respondents made reference to reducing the overall level of expenditures, while others indicated that the Government should closely examine general operations and reduce lower priority services and expenditures. Management and administration were often seen as a significant source of potential savings.

“The number of senior bureaucrats should be examined in relation to the number of front line workers.” (Letter, Town of Lewisporte)

Many responses made reference to aspects of privatizing Government services or pursuing improved cooperation with the private sector. A number of participants felt that the private sector could provide certain services more efficiently than Government. Others felt that Government should work with business to increase employment opportunities in the Province. A general view prevailed that Government must better define its role and concentrate on doing these activities well.

“If total privatization is not practical, then perhaps a private-public partnering program can be put in place where Government’s job of regulating will be maintained while private corporations provide the service.” (John O’Ragan, Newfoundland and Labrador Chamber of Commerce)

SUMMARY

It is evident that much effort and thought were put into the presentations and submissions for the Budget consultation process. As expected, the responses were varied and covered a broad spectrum of topics related to Government services and finances. Many participants made recommendations in response to questions posed in the consultation document. In many instances, briefs focused on the importance of present expenditures. In other cases, improvements and efficiencies were identified which would enable Government to save money while maintaining key services for the people of Newfoundland and Labrador. Overall, the process resulted in many valuable suggestions and recommendations for Government to consider in developing its 1996 Budget. In summary, the people of the Province have told Government that:

- Health care should be Government's highest priority.
- Education programs are important areas for our future, however, these programs can become more efficient - eliminate duplication of services.
- Effective social assistance programs must be maintained.
- Government must become more efficient: services must be provided on a more selective basis, with some services being offered on a user-pay basis.
- Lower and middle income families cannot be taxed further. Businesses and persons with higher incomes should pay more.
- Government has to foster an environment for business opportunities and employment growth.

APPENDIX II

SUPPLEMENTARY EXPENDITURE DETAILS

CONSOLIDATED FUND SERVICES/FINANCE

- Funding of \$1.8 million is included for pay equity adjustments for the General Service workers.
- Government will receive \$53.4 million in revenues and fees from Newfoundland and Labrador Hydro for 1996-97.

EXECUTIVE COUNCIL

- The Advisory Council on the Economy, the Newfoundland and Labrador Science and Technology Advisory Council and the Round Table on the Environment and the Economy will be consolidated into a single advisory group.
- Labrador concerns have been profiled with the appointment of a Secretary to Cabinet for Labrador and Aboriginal Affairs.
- \$287,000 is included for initiatives under the Provincial Strategy Against Violence. However, overall funding for the Women's Policy Program has been reduced by about \$200,000.
- Funding is provided for initiatives to reform the structure of government and the pattern of authority and accountabilities.

GOVERNMENT SERVICES AND LANDS

- The Province is moving to a Market Value Pricing System for Crown Land which will generate approximately \$6.2 million in additional revenue.
- A number of fee increases have been approved.

LEGISLATURE

- There is an 11% reduction in Members' allowances and benefits have been reduced for travel related expenses, constituency expenses and other privileges.

PUBLIC SERVICE COMMISSION

- The structure of the Public Service Commission is being revised and the Commission will be downsized during 1996-97. The merit principle, as enshrined in the Public Service Commission Act, will be maintained

WORKS, SERVICES AND TRANSPORTATION

- A 100% increase to \$8 million, is approved for upgrading of the Trans Labrador Highway.
- Public Building Construction / Alterations funding as compared to \$16.6 million last year.
- Provision is made for the continuation of a two ferry vessel service for Bell Island.
- \$4 million is approved for Heavy Equipment Acquisitions, a reduction of \$1.5 million.

DEVELOPMENT AND RURAL RENEWAL

- A budgetary allocation has been made for the provision of support to the nineteen regional economic zone boards. Funds will assist with the costs of establishing the boards and with the implementation of regional economic development plans and specific initiatives.
- A significant budgetary allocation of \$10.1 million has been made to provide for “early retirement” incentives to fishers and plant workers affected by the crisis in the fishery in order to facilitate a downsizing in this sector of the workforce.
- \$300,000 has been allotted for subsidies to small businesses so that they may hire Cooperative Education students.
- \$10.5 million is allocated for employment generation programs.
- The Enterprise Loan fund has been reduced from a 1995-96 budget of \$14.6 million to \$8.1 million.
- The termination of the Economic Recovery Commission and the consolidation of the staff of the former Enterprise Newfoundland and Labrador Corporation into the Department will result in the achievement of operational efficiencies.

ENVIRONMENT AND LABOUR

- On major projects, the proponent will be required to pay all environmental assessment costs.

FISHERIES AND AQUACULTURE

- \$400,000 is included for the revitalization of the seal fishery.
- \$2.4 million is included for aquaculture initiatives under the Economic Renewal Agreement for 1996-97. This is in addition to the approximately \$800,000 funding already in the Department’s base budget.

FOREST RESOURCES AND AGRIFOODS

- \$3.0 million is provided for the construction of a Forestry Centre in Corner Brook. Funding for this project is being provided through the Federal-Provincial cost shared Economic Renewal Agreement.
- \$60,000 is provided to construct additional space in Wabush for the amalgamation of Forestry and Wildlife offices.
- \$4.0 million is provided to carry out an extensive spray program due to higher levels of Hemlock Looper infestation and \$400,000 has been provided to conduct an insect and disease survey and forecast.
- Funding will be provided for a new Agriculture Safety Nets Initiative, which will be cost shared with the Federal Government.
- Funding is approved for the Agrifoods Branch to enter into a new contract for the supply of agricultural limestone for the Province's farmers.
- The Brookfield Tree Nursery will be operated by the Junior Forest Wardens as an Information Centre.
- The Private Woodlot Management Program on the Avalon Peninsula is not funded.
- Funding of \$2.6 million is provided for Newfoundland Farm Products, and Government is moving to commercialize this operation.

INDUSTRY, TRADE AND TECHNOLOGY

- \$956,000 is included for the Atlantic Investment Fund, a venture capital fund with contributions from chartered banks, the Federal Government and the Atlantic Provinces.
- \$7.4 million is provided for initiatives under the Canada-Newfoundland Economic Renewal Agreement; this Agreement is cost shared 80/20 with the Federal Government.
- The Market & Product Development Program (MAPD) is not funded.

MINES AND ENERGY

- \$320,000 is provided for a new Petroleum Monitoring Division. The Division's mandate is to provide for the administration of petroleum project agreements and royalty systems.
- The Province will provide funding to continue some activities under the Mineral Development Agreement, in particular the Prospector's Assistance Program, despite the loss of Federal participation.

- No funding has been provided for the Newfoundland Exploration Assistance Program and the Dimension Stone Program.

TOURISM, CULTURE AND RECREATION

- Grant funding has been reduced; the Department is to make a final determination as to specific grant allocations.
- Funding for John Cabot Celebrations is approved at \$2.2 million.
- \$6.8 million is provided for initiatives under the Canada-Newfoundland Economic Renewal Agreement.
- No capital funding is allocated for the Marble Mountain Development Corporation; the operating grant has been reduced.

EDUCATION

- Due to declining enrolments and the phase-out of the 2% rule, a total of 229 teaching units will be eliminated effective September, 1996 based on the existing teacher allocation formula.
- Substitute teaching funding will be reduced by \$2.5 million.
- The regular operating grants to School Boards will be \$88.2 million, a reduction of \$4.8 million compared to the 1995-96 revised spending level.
- School bus efficiencies will be introduced, saving \$1.5 million.
- The number of school board superintendents and assistant superintendents will be reduced from a total of 78 to a total of 30 for savings of \$2.0 million in 1996-97.
- The number of program coordinators will be reduced from 118 to 50. These 68 positions will be reassigned to the classrooms for 1996-97.
- \$431,000 is being provided to the Literacy Council, a reduction of \$129,200 from the 1995-96 revised budget.
- The Public Exams Marking Board will be eliminated for savings of about \$600,000.
- The total grant to Memorial University will be reduced by \$8.1 million to \$107.5 million from \$115.6 million. Next year, the grant will be reduced to \$104.5 million and \$101.5 in the year following.

- The consolidation of the administration of the five existing Colleges into a single College is expected to save \$3.5 million in 1996-97.

HEALTH

- Government will maintain the Department's gross operating budget for the next three years at \$903.3 million.
- Total operating funding for Health Facilities and Related Services will be increased from \$607.7 million to \$612.5 million in 1996-97.
- Funding is provided for the recruitment of specialists by the Faculty of Medicine.
- \$1.5 million is provided to address cardiac surgery requirements in the Province.
- Funding is provided for the continuation of the implementation of Pay Equity for applicable health care classifications.
- Additional funding is provided in Community Health to address increased service demands that are anticipated as a result of service changes in institutions.
- Increased funding is provided to develop a grant structure for community ambulance services to establish a more equitable funding arrangement.
- The Province will administer a second dosage of the measles vaccine to 8,000 children at school entry to meet the national measles elimination goal targeted for the year 2005.
- The Dispensing Fee paid to pharmacists under the Indigent Drug Program will be reduced by \$3 per prescription, from the present fee of \$6.50.
- The renovations and extension to James Paton Memorial Hospital in Gander are on hold pending further review.
- Funding is provided for the commencement of payments relating to the acquisition of the Grace General Hospital in St. John's.

JUSTICE

- Additional funding of \$102,700 is provided for the Support Orders Enforcement function to help reduce delinquencies in family support payments.
- A rationalizing of policing services, as well as other general operating reductions, have been made under the Provincial policing contract with the RCMP.

MUNICIPAL AND PROVINCIAL AFFAIRS

- Over \$21 million is provided to finance projects approved under the Canada/Newfoundland Infrastructure Program.
- \$25 million is approved for the municipal capital works program for 1996.
- Commencing January 1, 1997, the annual grants to municipalities will be reduced by 10% with a savings of \$3.4 million to be achieved in the Government's 1996-97 fiscal year.
- There are no funding provisions in the 1996-97 Budget for the Community Water Services or the Firefighting Vehicles and Apparatus Programs.
- Funding for the grant to the cities of St. John's and Corner Brook for fire protection services in respect of Provincial properties has been reduced by 20%.

SOCIAL SERVICES

- \$358.9 million is budgeted for the Department, an increase of \$6.6 million from last year.
- Approximately 175 temporary positions will be converted to permanent status.
- The Department will implement a significant reorganization in this new fiscal year. However, no reductions in frontline staffing resources are being considered.
- During 1995-96, the Social Assistance caseload stabilized at approximately 36,000 cases (more than 70,000 recipients). However, further caseload growth is anticipated during 1996-97, driven primarily by persons exiting the TAGS Program, changes to the Unemployment Insurance Program, and a significant overall decline in the Provincial economy. Therefore, the 1996-97 Social Assistance budget assumes an average monthly caseload of 37,000. The overall budget allocation for 1996-97 is \$249.8 million, compared with \$243.4 million revised for 1995-96.
- The Department will be reviewing expenditures in Social Assistance with a view to better controls and scrutiny of the Program.
- In the area of child support, 5 social workers will be hired to assist clients to obtain support orders and voluntary support agreements.
- Ten special investigators will be hired to provide for more timely investigation of referrals.
- Child Welfare Allowance rates have been maintained at the 1995-96 level.

- The Home Support program is funded at the 1995-96 expenditure level, and will be subject to a policy review.

APPENDIX III
SUPPLEMENTARY REVENUE DETAILS

TAX MEASURES

High Income Surtax

- Surtax rate of 10 percent
- Applies to the amount of Newfoundland personal income tax which is in excess of \$7,900 (about \$60,000 of taxable income)
- Effective January 1, 1996
- Approximately 8,000 taxpayers will be affected
- Each additional \$5,000 in taxable income, after the surtax becomes effective, will result in \$100 of surtax

Financial Corporations Capital Tax

- Tax rate increased from 3 percent to 4 percent
- Applies to the capital of banks and trust companies with permanent establishments in the Province
- Effective June 1, 1996
- Exemption for small financial institutions remains in place

FEES AND LICENCES

Government Services & Lands

- Increase the processing fees for birth certificates & marriage licences from \$10 to \$20
- Increase the driver road test fee from \$15 to \$50
- Increase the driver learner's permit fee from \$15 to \$30
- Increase application fees for crown land from \$50 to \$100
- Increase fee for preparation of property title from \$150 to \$200
- Increase assignment fees for transfer of title from \$50 to \$100
- Preparation of title document for a licence to occupy crown land to cost \$100
- Amendments to lease documents to cost \$100
- Increase the fees charged for driver or vehicle records search from \$5 to \$10
- Increase the fees charged to insurance companies for online access to licence information by \$5
- Increase investigation and security services licence fees
 - Agents licence increased from \$20 to \$30
 - Agency licence increased from \$200 to \$300
- Increase real estate and mortgage brokers fees
 - Agents fees increased from \$100 to \$300
 - Salespersons fees increased from \$25 to \$100
 - Mortgage brokers fees increased from \$200 to \$300

- Increase insurance companies and trust and loan industries licences
 - Trust and loan industries licences increased from \$750 to \$1,500-\$3,500
 - Insurance companies licences increased from \$300-\$1,500 to \$1,500-\$3,500
 - Individual insurance intermediaries licence increased from \$50 to \$100
 - Corporate intermediaries licence increased from \$150 to \$300
- Increase trade practices licences
 - Direct seller vendors licence increased from \$25 to \$100
 - Direct seller companies licence increased from \$75-\$500 to \$300-\$500
 - Auto dealers sole proprietor licence increased from \$75 to \$100
 - Auto dealer companies licence increased from \$100-\$300 to \$300-\$500
 - Salvage dealers sole proprietor licence increased from \$75 to \$100
 - Salvage dealer companies licence increased from \$150 to \$300
- Revise the current fee structure for crown lands
 - Crown land to be leased at 20 percent of the land value per year (for five years) as determined by the department with the provision for converting leases to grants for the assessed land value, less the sum of the rentals paid upon completion of the development
 - Crown land to be offered to private developers based on the fair market value

Forest Resources and Agrifoods

- Increase small game and big game licence fees
 - Small game licence increased from \$3 to \$18
 - Moose / Caribou licence increased from \$35 to \$40
 - Bear licence increased from \$25 to \$30
- Additional revenue sources
 - Increase domestic and commercial cutting permit fees from \$11 to \$21
 - Increase domestic sawmill licence fee from \$25 to \$45
 - Increase commercial sawmill licence fee from \$50 to \$100
 - Increase stumpage fees by 5 percent

Mines and Energy

- Increase claim recording fee from \$5 per claim to \$10 per claim

Environment and Labour

- Establish tariffs or fees for providing administrative and technical services in the water resource management area
- Implement water use charges to offset the cost of collecting data, providing technical assistance, administrative services and the use of publicly owned natural resources for economic benefit

Fisheries and Aquaculture

- Revise the fee structures for fish buyers and processors licences

Health

- The patient user fee under the road ambulance program changed to a flat fee of \$75 from a range of \$40 to \$60
- Increase private and semi-private room rates from \$40 and \$50 to \$60 and \$75
- Increase long term care rates for nursing homes from \$1,510 to \$4,000 (based on ability to pay)