

Budget Address 2019

Hon. Darlene Compton, Minister of Finance delivered the budget address to the Legislative Assembly of PEI on June 25, 2019.

Good afternoon. Bonjour. Gwe'.

Mister Speaker, I am happy to rise today to present the annual operating budget for 2019-20 for the province of Prince Edward Island.

It is a budget plan that builds on the strength of our economy and our communities, draws on the best ideas from all parties in this Assembly as well as many partners outside of government, and sets out strong and stable supports that will allow the people of this province to succeed.

Coming into Government, we inherited a sound economic environment and strong approach to fiscal stewardship left by the previous Government.

Responsible bottom lines, as well as strategic investments over the past four years have ensured that our province is in a position of relative strength.

Indeed, much of the base for this budget was put in place by good direction from the previous administration.

Last week's Speech from the Throne outlined a longer-term vision to making life better for all people. Budget 2019-20 sets out the first steps to putting this in place.

The steps we are proposing are secure, aimed at building long-term prosperity for all Islanders and establishing strong promise for our young and future generations.

The steps we are proposing are shared, based on priorities identified by all parties in this Assembly, and the many individuals and groups who came

forward during the budget consultations initiated by the previous government.

The steps we are proposing are sustainable, providing a path to deliver on the many priorities we heard from Islanders during the election.

And, we are confident the steps we are proposing will enable us to deliver on priority commitments while maintaining a small operating surplus.

The result, Mister Speaker, is a budget proposal that is responsive and responsible. Responsive to the priority and pressing needs of Islanders and responsible in making wise investments for both the present and future.

Investing in the Priorities of Islanders

We are blessed to be able to live in this province. Communities throughout this province provide our people with a base to succeed. It is in our homes and in our communities that we have important values instilled in us from the earliest ages. Through our parents, grandparents and elders; our teachers and neighbors; our classmates, teammates and friends, we are taught to put special value on place and people.

It is in these same communities that we see economic and social enterprise take off. Fisheries, aquaculture and farming, cornerstones to the history and fabric of our province, continue to advance through good ideas, innovative and sustainable practices, and new products and markets. Our farmers and fishers capture the essence of PEI enterprise in their persistent hard work and consistent effort to modernize their practices.

Their efforts over many decades have turned PEI food products from the land and the sea into much sought after commodities, providing safe and healthy food to families in PEI, Canada and around the world.

Tourism, culture and creative industries increasingly have grown in all parts of our province, with Prince Edward Island now being known worldwide through our amazing performers, artists and culinary specialists.

Newer industries on the Island are leading to revitalized facilities and consistent community growth. From aerospace in Summerside, to biosciences in Charlottetown, to advanced manufacturing in southern Kings, our young people are staying or coming home to build good, long-term careers and lives in their home areas.

And through community collaboration, social enterprise and volunteerism, these young people are helping to keep our communities strong while contributing to the overall quality of life in our province.

However bolstered we can be with our economic growth and community enhancements, we cannot overlook the fact that not all Islanders are sharing equally in the same success. Our family, friends and neighbors confront health and mental health challenges, concerns about job security and housing, real struggles with poverty and social connection. It is vital that we work together, invest and support in ways that ensure that everyone in this province has a path to succeed.

Our budget presented today, drawn from ideas and priorities identified from all parties in this Assembly, provides further steps to keep those pathways open for all Islanders. The plans for investment include:

- \$195 million in total new investment, with \$77.4 million offset by federal program revenue, resulting in total new net expenditures of \$117.6 million;
- \$36.3 million in new expenditures for health care services, a 5.4% increase over last year;
- \$19.2 million in education supports, particularly for new classroom teachers and educational assistants, resulting in a 4.8% increase over last

year;

- \$11.3 million to address poverty and affordable housing;
- Infrastructure operating expenditure of \$109.7 million offset by \$98.4 million federal revenue;
- \$4.1 million in new investments to combat climate change; and
- \$5.7 million to support our primary industries, particularly following the devastating growing season of 2018.

In all cases, we have looked beyond the budget lines to reach the issues that directly affect the lives of Islanders. More access to primary health care, more localized support for mental health, better supports in our classrooms, enhanced support for food and housing rates for those under social supports, and more active engagement with non-governmental organizations who help deliver supports to Islanders.

PEI Economy and Fiscal Highlights

Mister Speaker, based on the enterprise of our business, community and NGO leaders, Prince Edward Island is in an enviable position economically.

Our population, through net growth, international and domestic migration, continues to increase and was estimated to be 155,318 as of April 1, 2019.

While many have been attracted by employment and quality of life opportunities, this growing population is also creating more opportunities for all Islanders.

The number of employed persons on the Island increased 3.1 percent in 2018 to a new all-time high of 76,000, while the unemployment rate decreased 0.4 percentage points to 9.4 percent. Through May 2019, employment has grown by 1.4 percent, while the unemployment rate has averaged 9.3 percent.

At the same time, total labour income on the Island grew by 4.0 percent in

2018. Through the first quarter of 2019, it has accelerated by 5.1 percent.

While we have a way to go on both employment and income, progress has been made in creating more and better opportunities for everyone who makes, or seeks to make, Prince Edward Island their home.

This greater personal success is also leading to general economic success.

Retail sales grew 2.9 percent in 2018, the fastest growth in the region.

Through March 2019 retail sales are up 2.4 percent. Business leadership has led to international exports increasing 5.0 percent in 2018. Through April, exports are up 13.8 percent. Manufacturing shipments increased 8.2 percent in 2018. They are up 12.5 percent through April 2019.

As we well know, this general economic surge has created pressures in some areas, notably housing. While government is making necessary investment in affordable housing, the private market did respond in 2018, with new housing starts totaling 1,089, an increase of 19.5 percent. The last time housing starts exceeded 1,000 units was in 1988.

Our primary industries, while generally strong, are susceptible to environmental factors. Owing to a difficult growing season, farm cash receipts declined 2.0 percent in 2018. Through the first quarter of 2019, they are up 15.6 percent, due to a rise in Crop Insurance payments.

The preliminary landed value of the 2018 lobster fishery was 38.7 million pounds, an increase of 6 percent from 2017 and a new all-time high. Lower prices for lobster, however, had an offsetting impact on the value of the landed catch, which is down 12.8 percent. Early indicators of the 2019 Spring lobster fishery show landings above last year's levels, and a modest improvement in prices.

Our tourism product remains strong, and indications are that total overnight

stays on the Island exceeded 1 million for the second year in a row in 2018. Through the first quarter of 2019, bridge and air traffic, and room nights sold have all increased.

Mister Speaker, all signs point to a Prince Edward Island economy that is fundamentally strong. Those strong fundamentals are leading to more full-time jobs, and higher overall wages, providing more opportunity for more Islanders. We need to keep that momentum going while investing in key areas of social and community supports. Our Budget plan seeks to achieve that for all Islanders.

The strong Provincial economy is contributing to a positive outlook for the Provincial Budget as a result of increased own-source revenues from sales tax, and personal and corporate income tax. The increased revenues allow us to afford new investments in health care, education and families while maintaining a modest surplus of \$1.8 million. At the same time, our net debt to Gross Domestic Product continues to decline to 30.7 percent, the fourth best among Canadian provinces, and a key indicator for our bond raters.

Investing in More Responsive Health Care

Mister Speaker, during the election campaign we heard – I think across all parties – that the number one issue for Islanders is more accessible and responsive health care. Every single person in this province is touched directly or through a family member by the necessity of active and frequent attention on health and well-being.

We are getting older, Mister Speaker, and even when we are young we know that paying attention to our health is paramount to our quality of life. We are truly blessed in this province by talented health care professionals who regularly go beyond the norm to ensure that we have the level and quality of

care we need. Our doctors, nurses and specialists are all to be commended for the personal and professional attention they provide to us.

We have heard that more investment and innovation is needed to make sure we are not over-extending both our professionals and our overall system of care. The reality is that more than 13,000 Islanders do not have a primary care provider, with many ending up at walk-in clinics or emergency departments as a result.

We need to change our approach. Our government is committed to working with the physician, nursing and specialist communities to find better, sustainable solutions to the growing pressures, including practice innovations that ensure we are drawing on our best expertise wherever it resides.

And we need to start now. Our budget commits to \$36.3 million in new and additional investments in health care, a 5.4 percent increase in expenditures over last year. This includes two new family physicians in Queen's County and \$1.6 million to support nurse practitioners added in the past year. Together, these investments will provide primary family medicine to 3,000 Islanders who are currently on the wait list – a first and significant step to ensuring that everyone has access to the care they need.

Our budget plan also includes \$1.3 million in new orthopedic specialist services to alleviate the growing wait times for hip and knee replacements. Additional support for an anesthesiologist at the Queen Elizabeth Hospital will ensure that operating rooms are fully utilized to meet the surgical needs of Islanders.

\$560,000 in additional annual expenditures on drug coverage will support Islanders who are suffering from chronic disease. This includes expanded coverage for medications for the treatment of Chronic Obstructive Pulmonary Disease (COPD) and for the treatment of diabetes mellitus in patients with

high cardiovascular risk. New medications will be added as of August 1 for the treatment of patients with heart failure and for the treatment of patients with lung cancer.

Mister Speaker, during the campaign we heard of particular areas of concern in health care, and our budget plan addresses several of these. This includes a commitment to breast density notification for all Island women, and funding for ultrasounds for women who fall in the most dense category as a means of providing earlier detection.

It includes \$150,000 in support for midwifery in the province to allow these services to be appropriately established consistent with current and anticipated demand. Support will be provided for ostomy supplies for Islanders who need this specialized care and resources to carry on a healthy life.

Our budget also follows through on the commitment to deliver 100 new long-term care beds across the province, with \$3.2 million in new dollars identified in the budget plan. We will continue to provide needed supports for our seniors, in their homes and home communities as well as in specialized care, so that their lives are fully supported in their later years.

Mental health and addictions, Mister Speaker, represent the most difficult area of health and wellness facing us all. We all know the effects these diseases can have on individuals and their families, and the challenge of providing the right response, at the right time and in the right place.

The master plan for renewed services is well underway, and over the course of the next three to four years, working with our professionals and community experts, we will see a major transformation in the delivery of mental health and addictions services across our province. In this budget, particular support is identified for the mobile mental health crisis program, for mental health

services at Prince County Hospital and for the forensic unit at Hillsborough Hospital so that the full spectrum of needed services is enhanced.

At the same time, our budget commits to furthering the work of providing supports early on, even before issues may be fully developed. Student Well-being Teams, first piloted in 2017, have touched more than 19,000 students and family members since the program began, helping students to build resiliency, better manage their health and mental health and cope with life challenges. Teams have supported parents through programs like Triple P Parenting.

As of Fall 2019, all schools in Prince Edward Island will have mental health therapists, school health nurses, school outreach workers and occupational therapists working alongside teachers and school staff to support children and their families. In response to feedback from team members, schools and families, Family Ties support workers will be added to some teams, providing at-the-elbow supports to families in their homes, schools or wherever help is needed. A psychologist will also join the program to assist with more complex cases. Additional positions will be added in 2020-21.

Mister Speaker, we are committed to continued investments which ensure that our health care system is proactive, responsive and efficient. We will place more emphasis on wellness at all levels, on community and practice-based innovations that provide more direct supports to Islanders, and to working more closely with our professionals on both immediate changes and long-term enhancements to our system of care in this province.

Investing in our Future

Mister Speaker, the main theme our government has underlined consistently is that of people – the people of this province. None are more important to the

future of Prince Edward Island than our children and youth. The path they are provided in education and community life will lead to their own success, as well as that of our entire province. Any investment we make now will provide returns for many years to come.

With that in mind, we are committing in this budget plan to an additional investment of \$19.2 million – a 7.7 percent increase over last year – in support of K-12 education, and early years education. These investments are the single largest increase in education in over a decade, underlining the significance that we all place on our young people.

Our investments will mean more resources in Island classrooms, and more instructional supports for our students. Thirty-two new teachers will be added to address growing population and growing complexity in classroom composition. Additionally, forty-two new educational assistant positions will be added in our schools. In all, seventy-four new front-line staff will be added to our English and French schools.

We will continue to invest in our highly successful early childhood education. The budget plan follows through on the wage increases for our early year's educators, with a commitment to working on a long-term plan that sees these wages consistent with the value we all place on these programs. The wage benefits will be extended to the Best Start Program as well.

We will undertake a full development of a 4-year old pre-school program, with resources committed this year to a full public engagement and assessment of what a community-based program could look like in our province.

We remain committed to the development of a school food program, and will undertake further pilots in the upcoming school year to refine how a comprehensive initiative can be best organized for Island schools and students.

Our post-secondary institutions, Collège de l'Île, Holland College and the University of Prince Edward Island, will all receive a 2 percent increase in operating funding to allow their tuition levels to remain competitive while they deliver and develop academic and training programs that prepare our students to succeed in work and life.

We have earmarked the necessary funds to establish a fully independent Office of Children and Youth Advocate, and will maintain budget flexibility to allow for additional funding as directed through the Legislative Assembly once the Office is fully established. The budget plan includes support for a second children's lawyer, as well as additional support for child protection services.

Investing in Supports for Islanders

Mister Speaker, we have said that for the Prince Edward Island story to be truly remarkable we have to consider that it is a story that pertains to everyone. If one of us is suffering, it should affect all of us and compel us to act; to provide, to correct and to improve. It is how we serve one another that is and will be the real mark of us as a society – one built on inclusion, encouragement and opportunity for all.

The Poverty Reduction Action Plan, introduced by the previous government, provides a comprehensive blueprint for where we need to act. The Official Opposition has quite rightly said that our true objective should be poverty elimination.

Our budget plan commits to an additional \$11.3 million in this fiscal year to address social development. This includes \$4.7 million to address poverty reduction and AccessAbility supports for Islanders. It also includes a \$225,000 commitment to develop a PEI secure-income pilot. All parties in this Assembly have previously unanimously supported the development of a

basic income guarantee in collaboration with the federal government. We are not going to wait for our federal partner, but rather propose that we undertake to do what we can here on PEI in the interest of developing some real solutions that combat and alleviate persistent poverty.

We will continue to invest heavily in affordable housing. Our budget plan includes further commitments in this fiscal year of \$2.2 million in rent supplements and \$4.4 million to build affordable supply in partnership with community and non-governmental organizations, developers and the federal government. Already, over 500 affordable units in all parts of PEI have been initiated through the Housing Action Plan, with a similar amount at some level of development.

In addition to support for Bedford MacDonald House, we are committing \$100,000 annually to support a shelter for women in the province.

Additionally, we are increasing grants through the Interministerial Women's Secretariat by \$100,000 each year for the next three years to provide needed support for organizations that support women's inclusion in our province.

Added to that, \$100,000 is being provided to support a Survivors of Sexual Assault Program.

Mister Speaker, while we invest in support for those who need it the most, we also want to ensure that all Islanders, and lower-income Islanders in particular, are seeing more disposable income left in their pockets.

Our budget plan follows through on our commitment to raise the basic personal tax amount to \$10,000 as of January 1, 2020. Proportionate changes will be made to the spouse and equivalent to spouse amounts.

On top of that, we will increase the low-income threshold from \$17,000 to \$18,000, also effective January 1, 2020. These provisions, taken together, will result in a single parent saving up to \$202 in taxes each year and a senior

couple saving as much as \$215 in taxes – real savings, resulting in real dollars in their pockets. These changes will provide an estimated \$7.6 million in annual tax savings to Islanders.

After raising the basic personal amount to \$10,000 and the low-income tax reduction threshold to \$18,000, there will be an estimated 1,700 additional people who will no longer pay PEI income tax.

Investing in Communities and Business

Mister Speaker, we have said consistently that our communities, and the people who comprise them, are the real source of strength in our province. We are proud of where we come from – we may even be a little competitive about it – and are always willing to work hard to see our own communities thrive.

With a very active federal partner, we have made some historic investments in modernizing our infrastructure and will continue to do so. Our network of roads and bridges has seen major improvements, and we need to continue that in the interest of road safety and efficient passage of our goods across and from the province.

This extends to the development of more active transportation corridors, so that Islanders can opt for commuting by bicycle, and the encouragement of existing and new transit possibilities to lower the number of passenger vehicles on our roads. Our budget commits to new and additional funding for Pat and the Elephant and for Transportation West.

Major infrastructure project areas include \$56 million for roads and bridges, and \$13.8 million for water and wastewater. A recent call for proposed areas of investments with municipalities, first nations and community organizations brought forward 120 projects to be reviewed and initiated over the next few years.

Of course, increasingly our infrastructure is technology-based and \$17.4 million has been budgeted this year for the broadband initiative, including \$2 million to support local companies and their particular roles. In all, this single project will invest more than \$80 million dollars in upgrades in this needed area, with only \$13.6 million of that total coming from provincial sources.

An additional \$4.3 million will be provided directly to municipalities and \$2.2 million has been budgeted for community growth initiatives identified by local communities themselves.

Mister Speaker, encouraging a vibrant and competitive business environment is a strong priority of our government. As I underlined at the outset of this address, we do well when our businesses do well. When business thrives, more Islanders are working. More products and services are being sold around the world. More recognition comes PEI's way. And more opportunities are created for everyone.

We already are fully engaged with the Partnership for Growth to identify and pursue ways we can help business – of all size and in every sector – succeed. We know the fundamentals are important – access to talent and capital, less red tape, a competitive tax environment – and we are prepared to address all these issues with the Partnership group.

Budget 2019-20 commits to lowering the small business tax rate by a further 0.5 percent, down to 3.0 percent, beginning January 1, 2020 benefitting approximately 2,600 small businesses. This will mean that only New Brunswick is lower than PEI in provinces east of Manitoba when it comes to these rates. It also represents the fourth successive year where the rate has gone down.

In this Budget, the Department of Agriculture and Land will take over management of the deadstock contract to reduce the administrative burden

placed on the dairy farmers of Prince Edward Island. Over the next year, the department will undertake a policy review of the handling of deadstock in the province, with the goal of identifying an effective long-term solution.

Given the difficult growing season in 2018, significant investments are being made this year to protect our \$268 million in crops grown in our province. The budget plan commits to \$5.7 million in additional investment into agriculture insurance rates and premiums to better protect these valuable commodities, and this government is committed to supporting growers to access any additional programs which may be made available.

In the next year, we plan to fully scope a Land Bank initiative, including the prospects, terms and longer-term budget requirements associated with it.

Government will continue to support the fishery and aquaculture sectors through investments of \$2 million in the Atlantic Fisheries Fund. This investment will drive innovation, automation, productivity and lead to more diverse seafood products for markets all over the world. In addition, the province will support the PEI seafood industry through a new Federal/Provincial partnership to provide the Canadian Fish and Seafood Opportunity Fund. This program will build upon the Canadian seafood brand and promote seafood to existing and new markets.

We expect 2019 will again be a strong year for tourism, culture and creative industries in our province. Buoyed by a very strong product and a competitive dollar, we expect high levels of visitations and stays in all regions of the Island. A highlight of the year is our first ever opportunity to host the Congrès Mondial Acadien. Un haut fait de l'année sera sans doute le Congrès mondial acadien, que notre province a l'occasion d'accueillir pour la toute première fois.

The Province has committed \$600,000 to PEI's part in the hosting of this major event.

In 2018, the Mi'kmaq of PEI and Governments of Canada and Prince Edward Island signed a framework agreement towards a path of reconciliation. Along with our Federal partner, our government is committed to working with the PEI Mi'kmaq towards a renewed government-to-government-to-government relationship based on recognition of rights, respect, co-operation and partnership. Budget 2019-20 commits up to \$500,000 to enhance capacity for partnership with the Mi'kmaq.

Investing in Environment, Climate Change and Energy Futures

Mister Speaker, as we think of immediate business context in all sectors, including our primary industries, we cannot overlook the environmental and climate context we are all faced with. As we have said several times in this Assembly, Prince Edward Island – more than most jurisdictions – is acutely aware of the perils of climate change and its consequential impact on our natural environment.

The province's Climate Action Plan, Climate Adaptation Plan and Energy Strategy all seek to identify and initiate efforts that lower our emissions and provide environmentally and economically sound options in all sectors.

Our budget plan continues to advance this work, by providing a total of \$10 million in incentives for fuel switching in existing homes and businesses and in system investments to see our overall source of energy be increasingly both renewable and homegrown.

The new 30 megawatt windfarm will be initiated this year at a total cost of \$60 million. It is expected the farm will be operational by 2020.

In addition, the province will provide greater support to solar projects, including a \$500,000 incentive program to start this year and a major potential

development in Summerside over the course of the next several years.

A further \$200,000 will be provided to Island watershed groups to undertake active research initiatives on best water practices. The one million trees project, outlined during the campaign, will be undertaken to help encourage reforestation and active woodlot management as part of carbon sequestration efforts.

PEI will participate with its neighboring provinces and the Federal government on a regional clean energy roadmap to ascertain the most efficient uses of renewable and clean energy sources, their effective transmission, as well as pursuing storage innovations that will make our wind regime more effectively sustainable.

Conclusion

Mister Speaker, what we have outlined today and will debate in the days ahead is a means to an end. The means may be financial and human resources – the priorities we identify and pursue in any given year. These are indeed important, but only inasmuch as they get us to a viable and strong end.

That end is a province where everyone has the ability to succeed. Where they can see a path for themselves, their children and their grandchildren to succeed. Where we don't overlook those who are struggling to succeed.

Where we pitch in, come together, and work towards a shared set of goals. Where we truly try and make this province a better place – an envious place – and to leave it better than we found it.

Our budget plan is part of a bigger plan. One that places people at the heart of everything that we do, that looks with ambition to the future while setting some strong, secure steps to realize our ambition.

Mister Speaker, our plan today is built on the good work of the previous government and some great ideas from all parties in this Assembly. It makes significant new investments in areas of immediate and long-term priority for our province. It achieves that while projecting a small operating surplus. It is responsive and responsible, and I look forward to our debate on how we can show our collective leadership in delivering for the people of Prince Edward Island.

Thank you. Merci. Wela'lin.