
PORTER O'BRIEN ANALYSIS

NEW BRUNSWICK BUDGET 2025-26

The Holt government has been hit with back-to-back challenges since taking power in October. The federal government announced a tax holiday for Canadians which diminished the province's pocketbook by an estimated \$62 million by February. The federal government's hesitant approach to immigration may have economic consequences at the provincial level. And of course, Trump's tariffs threaten to destabilize Canada's economy, especially Saint John, which will be the hardest hit out of any Canadian municipality, according to the Canadian Chamber of Commerce.

Holt's campaign promises have been met with a hard reality: choosing between balancing the books, as she initially promised, and pursuing initiatives that would make daily life more affordable for New Brunswickers. This budget shows she chose the latter, with hopes of a fiscal recovery down the road.

Leading up to the budget, Holt had already fulfilled several campaign promises with high price tags such as a \$10,000 retention bonus for nurses and a 10% rebate on residential power bills. The tariff response plan announced two weeks before the budget, included a \$162 million response to support businesses and workers.

Revenues for 2025-2026 are projected to be \$13.8 billion, and spending is projected to be \$14.3 billion. The projected deficit for 2025-26 is \$549 million which could grow to \$599 million if the province uses a \$50 million contingency fund

The former PC government celebrated balanced or surplus budgets year over year. The PC opposition is already attacking the Holt government's deficit, and her failing to deliver a balanced budget.

Movement at the federal level and a change in leadership, whether that be Liberal Mark Carney or the Conservative Party's Pierre Poilievre, will impact New Brunswick's finances. Reducing interprovincial trade barriers is an articulated goal of many economists across Canada, but it is not universally understood or supported and, we have yet to see significant movement on this topic. Additionally, the largest revenue stream for New Brunswick remains transfer payments from the federal government, which includes equalization. Neither major federal party has clearly outlined their stance on equalization.

There remains a high level of uncertainty for New Brunswick and Canada, which will directly impact the province's finances. Despite the establishment of the 2025-2026 New Brunswick Budget, only one thing is certain: the Holt government will have to be flexible with anything that is thrown their way.

Read our full 2025-26 budget analysis below:

Highlights:

Tariffs: A \$50-million contingency is also being introduced to reflect the uncertainty of tariffs and the potential effect they may have on New Brunswickers and the province’s economy.

Health: \$30 million dedicated to the establishment of community care clinics.

Education: \$4 million to increase teacher recruitment and retention and address the shortage of teachers.

Housing: \$21.1 million for the direct-to-tenant rental benefit, which supports low-income households to afford rent.

Municipalities: \$93.6 million for the provision of funding to local governments and regional service commissions (RSCs).

Debt: A \$549 million deficit, an almost \$ 590 million difference from the Progressive Conservatives’ \$ 41 million surplus in the 2024-25 budget.

KEY TOPICS:

Tariffs

Prior to the 2025-2026 budget being released, the government had previously unveiled a \$162 million plan in response to the tariffs enacted by the United States.

As part of that \$162 million, the budget specifies a new \$25 million investment in a program offered through Opportunities NB, as well as other existing program funds to ensure businesses can be competitive and spur productivity, for a total of \$112 million.

To fight back against the tariffs, the province will follow a “four-pillar response plan,” which includes offering support to affected New Brunswickers, offering relief to affected businesses, breaking down inter-provincial trade barriers, and promoting a “NB-Made” campaign.

The government has already stopped new purchases of U.S. alcohol, and the remaining stock is no longer for sale on the shelves in local liquor stores. They have also stopped the procurement of other US-made goods, and are cancelling contracts with American-based companies.

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Inter-provincial trade barriers, a source of frustration for Canadian businesses and consumers are also on the table: the province has indicated that it is considering 50% of the current regulations for removal.

It should be noted that the ongoing tariff dispute with the United States continues to change on a daily basis, and the Holt government has indicated that its response will be flexible to reflect this reality. The premier has indicated she will provide weekly updates to the province on this topic.

Healthcare & Long-Term Care

Addressed as one of the Liberal Party's priorities during the election, healthcare sees an increase of nearly \$293 million, bringing the total yearly budget to nearly \$4.1 billion, surpassing last year's \$3.8 billion investment by 7.9%.

The government's allocation to the healthcare sector focuses on community care clinics, recruitment and retention of healthcare professionals, and supporting women's health initiatives, such as fertility treatments and cervical cancer tests.

A key highlight of this year's healthcare budget is the \$30 million dedicated to the establishment of community care clinics. That investment will go directly toward establishing 10 new clinics during the 2025-2026 fiscal year.

The healthcare workforce shortage remains one of the province's most pressing issues. While a \$2-million increase, for a total of \$16.8 million, has been allocated to recruitment and retention programs, this represents only 11.4% of the total healthcare budget.

Nurse retention payments amongst other expenditures sent the Liberal government into a deficit in the third quarter of the last fiscal year.

While the budget makes progress in addressing healthcare needs, challenges remain. The government's commitment to improving access and reducing wait times is clear, but the success of these efforts will depend on sustained action and adapting to evolving healthcare demands.

Education

This year's education budget increased by nearly \$200 million dollars, for a total of \$2.1 billion, by focusing on increases to a new school food program, teacher retention and recruitment, and academic support teachers with \$2.1 million.

Holt's mandate promised improved retention of teachers and staff, better student outcomes, and reduced childcare fees. Advocates will be happy to see the more than \$20 million dedicated

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to teachers and \$32.4 million for educational assistants and behavioural intervention mentors. Meanwhile, Holt's government has a focus on childcare spaces, allocating \$200 million over five years to subsidize more than 17,000 child-care spaces across the province.

Holt committed to a school food program in September 2024 promising two components: a free, nutritious breakfast, and a new pay-what-you-can lunch to be offered to all students. The two components combined will represent an investment of \$27.4 million per year, now with an additional \$19 million on top of that.

The New Brunswick Teacher's Association listed 17 recommendations for the department in a pre-budget consultation submission. Chief amongst them is retention and recruitment as projections show that 25% of contract teachers are likely to retire within the next five years.

Retention and recruitment did not see a dedicated line in the budget, lumped in under Support Services, the same category where the school nutrition program is listed giving doubt to the dedicated \$4 million for retention and recruitment should the cost of the school food program rise due to tariffs or other factors.

Housing

This year's housing budget increased by \$36.6 million dollars, reaching a total of more than \$200 million.

The Liberal government campaigned on a promise to improve the housing landscape in New Brunswick. The first Holt government budget saw a considerable investment to help ease the pain that New Brunswickers are feeling economically.

Areas of investment include \$21.1 million for the direct-to-tenant rental benefit, which supports low-income households afford rent, an additional \$4.6 million to aid in the construction, rehabilitation, and conversion of rental housing projects, and \$3.3 million to support repairs and renovation of public housing.

The Holt government acted swiftly to implement a 3% rent cap, one of their most significant campaign promises that came into effect on February 1, 2025. They have made other notable changes including rebating the 10% provincial portion of the HST for eligible purpose-built rental housing.

The Liberal government's investments focus on allocating additional funding for shelters across the province, along with a newly signed 10-year deal between the provincial and federal governments on housing infrastructure. This new budget contains plenty of new dollars for accessible, affordable housing which is a much-needed investment for New Brunswickers.

Municipalities

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This year's Environment and Local Government budget increased by \$13.8 million dollars, to a total of \$187.2 million. There were \$127.3 million expenditures on the local government side.

The main investment by far is the earmarked \$120 million toward Local Government, including \$1 million for supporting Local Governance Reform. Under this \$120 million is a \$93.6-million investment of general funding toward the operation of local governments and regional service commissions.

These funds support municipalities as they manage the challenges communities are faced with related to property tax, delivering key services, and managing the many challenges associated with growing populations.

Municipalities across the province have demanded fiscal reform ever since the previous Progressive Conservative government brought in sweeping changes to the system in 2021. Fiscal reform had been promised as part of those changes but was not enacted before the Holt government won power in October of last year. During the 2025-2026 budget speech, Minister Legacy reiterated the Holt government's commitment to introduce legislation on a fiscal reform funding model but did not attach a specific number to this promise.

While each municipality has different concerns and priorities, the need for fiscal reform was widely agreed upon across New Brunswick.

Indigenous Affairs

The 2025-2026 Indigenous affairs budget increased by \$600,000 for a total of \$7.6 million.

The previous government maintained an adversarial relationship with First Nations in New Brunswick. They unilaterally cut decades-old tax agreements with First Nations communities and spread antagonistic views on First Nations' Title Claims in the province. In fact, the budget for the Department of Indigenous Affairs had its budget cut between the 2023-2024 budget and the 2024-2025 budget by close to \$500,000.

Since the Holt government was elected in October 2025, the province and First Nations have been engaging in conversation about renewed tax agreements. The government has also indicated that a negotiated settlement to Aboriginal Title in the province is preferable to litigation.

Debt

The new budget announced a \$549 million deficit, an almost \$ 590 million difference from the Progressive Conservatives' \$41-million surplus in the 2024-25 budget. After eight years, the province has broken their surplus streak and the province's debt stands at \$14.3 billion. The

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deficit also could grow to \$599 million if the province uses a \$50 million contingency fund announced today.

The blame can't fall entirely on the provincial Liberal government. The two-month federal tax holiday set the province back \$62 million in revenue and although Holt said she would fight for Trudeau's government to pay provinces back, a trade war upended those conversations. Unfortunately, 92% of New Brunswick exports go to the United States and despite the province's response, our economy is slowing down due to uncertainty and the province is losing revenue. It's doubtful that the province will want to take on NB Power's ballooning \$5 billion debt as well at this point, despite the current debate on this situation.

In the fall, things looked brighter. The first-quarter fiscal update projected a \$27.6 million deficit, which later turned into a \$92.1 million deficit by the second quarter. But uncertainty is the new norm now, and by the time the Liberals took power and implemented their plans, the third-quarter fiscal update was in a \$398.9 million deficit. Finance Minister René Legacy said in November there were "indications" that the province wouldn't collect the "revenue windfall" of income tax and sales tax revenue that they had in the past. It's clear now he was right.

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