

CHILDREN ~~CUT~~ COME FIRST.

Installment #1 of the Advocate's Review of the 2025-26 Budget
Departments Reviewed: Finance & Treasury Board, Social Development

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“I put a dollar in a change machine. Nothing changed.” -- George Carlin

In the written version of the speech presenting the 2025-26 budget, the phrase “transformational change” is used 10 times. Indeed, an entire section is bedecked with the phrase in large, bold type.

In the Advocate’s 2024 report *“How It All Broke”*, numerous concerns were raised regarding how the Government of New Brunswick budgets for social indicators. Among the concerns raised were:

- Budgets list inputs, or things funded, without any direct connection between the funding and outcomes.
- Budgets do not provide measurable benchmarks and clear goals to be achieved and calculate funding based upon the goal but announce inputs and issue vague statements of improvement without accountability.
- Governments often engage in spin by favourably comparing budgets to the past year’s budgeted amount rather than to the actual expenditure, suggesting the appearance of increased support for a Department.
- Governments combine routine cost increases – like inflationary spending and staff salaries – with program funding, which makes it seem like there’s new investment when there isn’t. This creates a false sense of progress and makes it harder for social departments to access the funding they actually need.
- Service standards and resource targets are not used in the budgeting of social programs and spending.
- Fiscal targets are often “hard” targets requiring regular reporting, while outcomes affecting children, seniors and vulnerable New Brunswickers are rarely measured, and are not used in evaluating employees or Departments.

The government has made a number of commitments to address the deficiencies raised in *How It All Broke* and to “govern in the spirit of” that report. Because this office had examined the budget process in 2023 and found some gaps, it seemed only fair to ask similar questions of the Department of Finance in 2025 and to hold government to the same standard.

In a budget promising “transformational change”, we aimed to see if the budget had itself made any transformational changes in how money is allocated to social programs. As George Carlin’s quote suggests, merely putting dollars in does not create change if the machine is not built to create change. We wanted to see if, with a new Executive Council, there were any expectations placed upon the Department of Finance to change itself. After all, transforming results requires transforming how we make critical decisions around funding those results.

We asked seven questions similar to those asked of the Department of Finance in 2023, to review whether there was any significant transformation in how the budget was prepared. What follows is our report related to the first of those questions. We intend to release subsequent reports on our reviews of the other questions. This first installment will look at the issue we deemed most urgent – a deep cut to services for the most vulnerable children in the Province, predominantly those taken into the care of the Minister of Social Development because their wellbeing was in serious danger. We have advanced the report on this question because the answers to our questions disclosed an alarming and historically unusual level of cuts, and it was the opinion of the Advocate that it was the duty of a legislative officer to advise the Assembly of these concerns.

Question One: Funding for Child Welfare Services, Department of Social Development

This year, the Budget mandates that the Department of Social Development will find \$47.1 million in cuts to child welfare programmes, which is nearly one dollar out of every six in existing services. This is alarming to the Advocate.

In 2023, we expressed concern over the deceptive practice of comparing budgets to the previous year's budgeted level rather than what was actually spent the previous year. In 2023, a significant gap opened up between the previous year's actual expenditures of child welfare services and the amount budgeted.

In 2022-23, the government budgeted \$143.4M for child welfare services, but the actual expenditures were \$173.5M.

In the next year, 2023-24, government budgeted \$165.7M, which it called an increase compared to the previous year's budget but was, in fact, \$8M less than what was actually spent the year before. This Office asked, fairly, what measures the Department of Finance was anticipating that would lead to reducing expenditures by \$8M, especially given that a new *Child and Youth Well-Being Act* had been presented to the Legislative Assembly allowing for an expansion of services.

The answer in 2023 from the government was reassuring in part. The Department of Finance did not offer any evidence to support the belief that the costs would decline, but immediately expressed that their expectation was that a special warrant may issue at the end of the year if caseload demand required additional funds. There were no cuts mandated.

The Advocate, at that time, expressed appreciation for the lack of mandated cuts but raised two concerns with allowing a gap between actual demand and budgeted amounts to grow.

1. If the Department's target is unrealistically low and they are reliant upon special warrants at year's end, then decisions on individual children's files will be driven by the pressure of complying with the low target, and needed interventions may be delayed to the future when they will cost more.
2. If the gap between reality and budgeting grows too large, eventually government will mandate cuts because the cost of aligning the budget with reality would create too great a shock to the overall budget to be repaired.

These warnings were offered to the Department of Finance and the Executive Council Office two years ago by the Advocate. Two years later, the Department of Finance has clearly rejected those recommendations and the situation for children in care may suffer as a result. In proof of that statement, we would note what happened in the two subsequent years.

In fiscal year 2024-25, the budget revealed that child welfare services had indeed exceeded the previous year's budget, which is what tends to happen when the budget predicts a drop in expenditures without any evidentiary basis to support that prediction. The budgeted amount in 2023-24 was, as noted above, \$165.7M. The actual expenditure grew to \$191.4M.

Despite that growth, the Department of Finance budgeted \$181.9M in 2024-25, a gap of nearly \$10M from the previous year's actuals. Once again, there was no evidence to support that budgetary assumption, and in fact the Department of Finance missed the mark even more dramatically, because the actual expenditure grew again to \$231.8M – now \$50M more than the Department of Finance estimate.

The reader will recall the Advocate's caution that eventually the gap would grow too big for a government to cover if there was a difficult budget year. This brings us to the current fiscal year.

Knowing that child welfare programs had a demand that cost \$231.8M last year, the Department of Finance has budgeted only \$208.3M for the 2025-26 fiscal year. **To be clear: the Department of Finance has made a budget assumption that child welfare will cost \$23.5M less this year than it did last year, and it has done so on no apparent evidence.**

On top of that cut, the Budget Speech announced that \$23.6M would be directed to new priority services and wage increases under the *Child & Youth Well-Being Act (CYWBA)*. This creates what can be called an **unfunded mandate**, where new requirements are placed upon a Department but in the absence of new money the funds must be found by redirecting (or "cutting", if one is not in the public relations business) from existing services.

Of course, the Advocate had a duty to ask the same question that was asked in 2023. Only this time, there was no reassurance that special warrant funding would be issued at year's end to cover costs. The response from the Department of Finance confirmed that there were to be cuts, and that the Department of Social Development knew this was the expectation. To provide the answer from the Department verbatim:

The Department of Social Development requested appropriate funding for all pressures they are experiencing. Given the fiscal situation of the province, direction was provided to prioritize budget based on the available funding. As a result, the department prioritized all pressures and submitted what was approved and provided in Main Estimates. As you highlighted, the level of funding is an increase from last year's budget but remains less than actuals for 2024-25. It should be noted that the department will continue providing the support services under the Child Welfare and Youth Services program, while being asked to prioritize transformation efforts in this area to identify opportunities to help stabilize costs while sustaining or improving outcomes. Performance results (and associated expenditures) will be closely monitored to reflect

the needs in the current fiscal, while the project team undertakes its analysis of improvement opportunities.

Much of that answer is a lengthy (and completely accurate) description of the Budget process – the line department submitted what it decided it would need, and the Cabinet provided direction that what needed to be cut was services for vulnerable children. However, the length of the answer does not fully disguise the core truth – there will have to be cuts, and Social Development has been told to find them.

The magnitude of the cuts is alarming – if indeed the Department of Social Development is being told to reduce expenditures from \$231.8M to \$208.3M, and also absorb the \$23.6M for new initiatives, that will mean **the Department must find \$47.1M in cuts from \$184.7M in existing programs, resulting in cuts of 25.5% or nearly one dollar out of every four.**

How These Cuts Hurt Children Day-To-Day

As the Advocate cautioned before, placing a Department in charge of helping children in crisis on a constant austerity footing leads to decisions that are both cruel and fiscally self-defeating. An example follows:

Earlier this year, a case reached the Advocate where a delay in responding to a child's early needs reached a crisis point. A child at a New Brunswick school had a series of complex needs which required collaboration between the education system and the Department of Social Development. The child had shown significant progress, was able to attend school full-time and the family was receiving support outside school hours so that they could both provide for the child's high needs and also care for their other children. All agreed that the family services helped – a lot.

When the need arose for a new person to provide support services outside school hours, trouble arose. In particular, the regional zone of the Department of Social Development proved unable to recruit someone and – most importantly – unwilling to escalate the matter for urgent direction from central office. In fact, the Provincial Integrated Services Committee (with the unfortunate acronym PISC) repeatedly sent the plan back because the projected hourly wage was deemed too high, even though it reflected what would likely be needed to recruit a qualified person. Meanwhile, the Department insisted that the recruitment be done through an arms-length arrangement with an outside agency, which is the preferred model from a viewpoint of saving money though not necessarily the quickest route to find qualified people. This arms-length agency replied that to make the available budget work for them, they would have to recruit a bilingual employee who could take on multiple contracts. This made recruitment more challenging. There is no record that anyone even explored what would have allowed the agency to meet the urgent need first.

The school sent several warnings through to the Department of Social Development and the Provincial Integrated Services Committee that the child's behaviour and school achievement was backsliding, and that the family was in crisis. After several months with no progress from Social Development, our Office was called by concerned professionals, and we had to intervene to press for the necessary supports to be secured expeditiously.

This shows the problem with austerity-based operations. Ideally, at the first sign of mismatch between the child's urgent needs and the obvious results of sticking to a formulaic process, the region would have escalated the file for some flexibility. That this did not happen is sadly typical – we hear from front-line social workers and teachers often that the means to alert higher authorities are opaque and, worse still, the communication is often discouraged by managers. These are signs of a dysfunctional culture. Even after the matter was escalated by the Advocate to the highest levels at the Department of Social Development, it still took several weeks for anything to change. Put simply, if people are under constant pressure to avoid deviating from formulas even when children are clearly suffering, then the system will not hear what it needs to at the highest levels. Civil servants will apply the formula even when the result is destructive to the child and stupid in its long-term fiscal impact.

In this case, the child's progress slid back, and the school year will be mostly lost. The services required to repair this will be more costly, and to add to the problem, we also discovered that planning for the summer and the next school year hasn't begun. By the time this matter reached the Advocate's Office, the likelihood that the child would wind up in the full-time care of the Minister of Social Development had greatly increased because of the toll the delay (over a few dollars an hour) had exacted upon the family's ability to provide for this child.

No Evidence That Long-Term Costs Were Considered, Anywhere

The Department of Social Development has convened a number of sessions to deal with the public policy question of how to deal with a growing number of cases where children and youth need intense services and cost the Province over \$100,000 per year. There are now well over 100 such cases.

Of course, these cases do not spring fully formed upon the Province without warning. Children do not wind up in profound crisis over night. As our review currently underway of dozens of files of teens with serious crises has already shown, these cases usually follow many small decisions like this – civil servants being given formulas driven by cost control with limited discretion, no forum to contemplate long-term risks, and services delayed or denied upstream without any calculation of the long-term impact or any process to consider the human and business case for more timely interventions.

In fact, we are already seeing signs that the result of now demanding deep cuts in services will lead to more short-term decision making and more use of formulas designed by accountants without alignment with social outcomes.

The Impact of Deep Cuts Upon Vulnerable Children

In our review of the budget, we could not find any other group asked to shoulder a 24% budget cut, which means that this budget visits the largest cuts upon children receiving child welfare services. This is more striking because many of the children on the receiving end of these cuts are actually in the care of the Minister of Social Development. This means that the government has chosen to visit the deepest cuts upon the children who rely upon them for the support and caring that a parent would show. It must also be stressed that this cut will undoubtedly have a severely negative impact on the morale of the people working in the child welfare system. Foster parents and group home operators will certainly be

demoralized. But the most dangerous potential impact will be on the social workers in Child Protection Services, who do work of incredible difficulty, urgency, and importance, and who will surely see this budget cut as a message that their work is not of worth. Anecdotally our Office cannot help but notice the frequency of sick leave and turnover in this profession. There is no evidence that any consideration of the costs of those two factors has been incorporated into the Department's budget.

It is worth reminding Members of the Legislative Assembly that children in care are among the most vulnerable New Brunswickers. Children in care are 20 times more likely to be placed on partial day programs, have a "very low" rate of graduation and post-secondary participation, and the Minister has stated that 40% are experiencing homelessness upon leaving care. It should go without saying that children who do not complete their education and/or are homeless become more expensive to the system as adults.

Our fear is that a demand for this level of cuts in one fiscal year will make front-line staff more bound by restrictive formulas and exert more pressure on them to avoid telling management when children are likely to slip into crisis. We have seen signs that this will be the case. The following examples are from only the past two weeks.

- We have received concerns from foster parents about irrational levels of scrutiny of quality-of-life expenditures. In one case, a foster parent was initially approved for travel expenses for taking two foster children to a trampoline park, then later was told to pay part of the costs herself and was castigated for being cavalier with taxpayers' money. It would be fair for the Advocate to search the files of business entertainment expenses at Opportunities New Brunswick to see if a similar reminder has been sent following a business lunch, or if N.B. Liquor employees receive such exacting letters after trips to source new wines and spirits.
- In a number of cases, including one this week, we have had to caution the Department of Social Development about the delays in planning which result when youth in penal institutions are leaving custody into actual homelessness because front line workers cannot find an appropriate placement due to time, budget, and policy restrictions, and therefore simply allow the youth to be released onto the streets. This, of course, increases the risk of future law-breaking and incarceration, which is one of the most expensive daily rates of service in all of government expenditure.
- Our office has received concerns from group home operators that the Department of Social Development is now conscripting group homes into a new model which ties funding to the bed rather than the child's actual needs and the professional requirements of caregivers. While we would obviously review any such proposal in detail, this approach has not been (to the best of our knowledge) requested by any group actually involved in caring for children. The risk is that these formulas can become detached from needs assessment, tie the hands of caregivers providing for the basic needs of children in the Minister's care while also responding to the needs of children in crisis, and fiscally punish smaller, more specialized operations – all of which can delay interventions, deepen a child's crisis, and cause a need for more expensive interventions later.

- In a number of our partial-day files, including several that have come to us in the past two weeks, the delay which keeps children out of school and on partial days is caused by the Department of Social Development failing to meet its obligations to co-ordinate and provide supportive services in a timely fashion. Schools have to respond to a crisis because the child has a right to be in the school, and the physical presence demands response. There is no similar pressure on Social Development to respond, and our review of files show that regions are often responding to the need to delay spending money rather than any response driven by the child's assessed needs.

Overly restrictive and short-term decision making often results in Departments opting to contain problems for a long time, rather than fix them in the short-term. One of the most common errors social departments make is to pay for numerous lower-waged people to manage a child in crisis but avoid paying for the assessments and interventions that would address the underlying issues. It should be noted here that the Province recently lost a very costly arbitration decision in the school system because a child grew increasingly violent towards educators over years without adequate steps taken to help the child, assist the family or protect workers. A critical finding of the arbitrator was that at no time did the school district escalate the matter to specialists or professionals who could address the child's underlying needs, but rather just threw cheaper solutions into the equation to contain and control the child's crisis rather than fix it. These cuts will exacerbate that "contain cheaply but do not fix urgently" approach and create more costly crisis cases in the future.

In short, any attempt to exact such a high level of cuts from a vulnerable group in a one-year window is likely going to lead to more rigid and formulaic decision-making, more children in crisis, and more long-term costs. While over time targeted spending can be transformative and save money, one suspects that if the Department suddenly had a plan to make a \$45M transformation in one fiscal year, they would be shouting the details from the rooftops, not hiding the cuts behind dubious accounting.

It should also be noted that the budget makes the same cut to actuals in the area of Income Assistance, mandating a cut of \$23.3M, or 6%, over last year's actual needs. If both of these targets are enforced in one fiscal year, children will be nicked-and-dimed by the people charged with caring about them at levels that will be harmful to those children. Either the government has deliberately low-balled its deficit projections, or it intends to make historic cuts to supports for the poorest children. Only one of these problems is in the scope of the Advocate, but it is essential that elected Members know that there are human and fiscal consequences to cutting at this level. If one looks at the amount to be cut, and the relatively small number of poor children impacted, the cut per child is a devastating one. As Lord Wilberforce famously told the British Parliament, elected members "may choose to look the other way but (they) can never again say that (they) did not know." That is the Advocate's duty, now discharged.

Recommendations

If government is going to exact its deepest cuts from the most vulnerable children, then it is fair to ask for radical transparency in how this is done.

1. The Advocate recommends that the Departments of Finance and Social Development reconsider the target of requiring \$46M in cuts from child welfare services.
2. If the Advocate's first recommendation is rejected. The Advocate recommends that the Department of Social Development, by June 30, 2025, produce a plan for how it intends to meet the fiscal target set out by the Department of Finance, what the expected impact upon children receiving services will be, and what the long-term costs over the next five years are likely to be from these impacts.
3. The Advocate recommends that immediate action be taken to protect vulnerable children from rigid decision-making through short-term improvements to Integrated Service Delivery, including establishing a desk in the Executive Council Office with the power to resolve inter-departmental funding disputes, review files, and guarantee Integrated Service Delivery upon triggers such as partial day plans, mental health crisis intervention and housing insecurity.

SUBMITTED TO THE LEGISLATIVE ASSEMBLY this 24th day of April, 2025

Kelly A. Lamrock, K.C.

Advocate

APPENDIX "A"

Verbatim Questions & Answers

Advocate Question #1:

"The amount budgeted for child welfare services is \$23.6M less than the actual expenditures for the previous year. This is concerning given that the new statute should actually be increasing services and responsiveness to this vulnerable population. Indeed, many of the "child-friendly approaches" in the new Child and Youth Well-Being Act have not been translated from the statute into reality as it is. Can you advise what factors led to the prediction that budget reductions will be realized in this area? And if the intention is to issue a special warrant at the end of the year, what instructions have been given to the Department of Social Development to avoid having that department seek \$23M in cuts to child welfare services?"

Department of Finance Response #1:

The child and youth branch of the Department of Social Development has increased its budget year over year by \$26.7 million with:

\$8.5 million to support the new act including additional funding for relief care, kinship, kinship supports, stabilization services and clinical specialists,

\$5.1 million to provide wage increases to human service counsellors and group home staff, and \$10 million to address the increase in specialized placements and related expenses

The largest pressure facing Social Development's child and youth branch has been the increase in specialized placements. Recent data indicates

Fiscal	# of children/youth in specialized placements	Annual Spend
2022-23	58	\$21M
2023-24	89	\$36M
2024-25	110	\$55M

Advocate Question #2, Follow-Up:

*The first question I asked sought an explanation for the gap between the ACTUAL 2024-25 expenditure on child welfare services (\$231,877,000) and the budgeted amount (\$208,277,000). As we both know, the actual number is what was **actually spent**. This is of particular concern because I have previously expressed concern at the Department's of practice of budgeting less than the actual expenditures. These expenditures are largely demand-driven, and any assumption that last year's actual will decline by*

\$50million should have some evidentiary basis (especially since the Department has now made this same assumption three years in a row, and it has not borne out).

181,877	231,877	Child Welfare and Youth Services / Services de bien-être à l'enfance et à la jeunesse.....	208,277
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The Department's answer tells us about new projects, but does not explain why the budget is less than what was actually spent last year. For any money to create new services, the Department would have to explain how the \$50 million gap overage last year was not really needed and won't recur.

For whatever reason, the Department has chosen to ignore the question entirely and provide me with details on new services without explaining how any money will be available with a budget millions below what was actually spent last year.

Department Response #2 (Follow-up)

The Department of Social Development requested appropriate funding for all pressures they are experiencing. Given the fiscal situation of the province, direction was provided to prioritize budget based on the available funding. As a result, the department prioritized all pressures and submitted what was approved and provided in Main Estimates. As you highlighted, the level of funding is an increase from last year's budget but remains less than actuals for 2024-25. It should be noted that the department will continue providing the support services under the Child Welfare and Youth Services program, while being asked to prioritize transformation efforts in this area to identify opportunities to help stabilize costs while sustaining or improving outcomes. Performance results (and associated expenditures) will be closely monitored to reflect the needs in the current fiscal, while the project team undertakes its analysis of improvement opportunities.

APPENDIX "B"

The Cycle of Broken Social Programming

