

# Budget 2019-20

Building on a Strong Foundation

MARCH 26, 2019

# Overview – Building on a Strong Foundation

## ▶ **Achieving Fiscal Sustainability**

- ▶ Improving fiscal health with four balanced budgets in a row
- ▶ Balanced budgets throughout rest of four-year Fiscal Plan

## ▶ **Building on a Strong Foundation**

- ▶ Investments in healthcare, education, infrastructure, communities, and the economy

## ▶ **Government's 2019-20 priorities**

- ▶ Improving Access to Healthcare
- ▶ Investing in Education and Preparing Youth for the Workforce
- ▶ Creating the Conditions for Economic Growth
- ▶ Supporting Our People and Our Communities

# Forecast 2018-19: Last Year's budget

- ▶ Balanced budget for 2018–19 with surplus forecasted at \$28.4 million
  - ▶ \$1.0 million lower than the original budget estimate of \$29.4 million
- ▶ Total Revenue up \$48.4 million or 0.4% from Budget
  - ▶ Lower tax revenue and negative prior year adjustments offset by offshore license forfeiture, higher interest earnings, federal revenues and net income from GBEs
- ▶ Total Expenses up \$43.3 million or 0.4% from Budget
  - ▶ \$103.7 million (1.1%) increase in departmental spending
  - ▶ \$60.4 million decrease in other expenses
- ▶ Consolidation and Accounting Adjustments have negative impact of \$6.0 million

# Forecast 2018-19: Last Year's budget

(\$thousands)

	Estimate 2018-2019	Forecast 2018-2019	Forecast Variance
<b>General Revenue Fund</b>			
<b>Revenues</b>			
Ordinary Revenue	9,773,351	9,794,978	21,627
Ordinary Recoveries	655,546	678,628	23,082
Net Income Government Business Enterprises	381,255	384,918	3,663
<b>Total Revenue</b>	<b>10,810,152</b>	<b>10,858,524</b>	<b>48,372</b>
<b>Expenses</b>			
Departmental Expenses	9,693,362	9,797,101	103,739
Refundable Tax Credits	146,883	129,816	(17,067)
Pension Valuation Adjustment	128,803	116,492	(12,311)
Debt Servicing Costs	893,573	862,544	(31,029)
<b>Total Expense</b>	<b>10,862,621</b>	<b>10,905,953</b>	<b>43,332</b>
<b>Consolidation and Accounting Adjustments</b>	<b>81,899</b>	<b>75,867</b>	<b>(6,032)</b>
<b>Provincial Surplus (Deficit)</b>	<b>29,430</b>	<b>28,438</b>	<b>(992)</b>

# Departmental Variances 2018-19

(\$thousands)

Department	2018-19 Estimate	2018-19 Forecast	Variance	
Agriculture	49,615	65,810	16,195	primarily due to \$16.7million related to Frost Loss program
Energy and Mines	31,462	42,118	10,656	primarily due to \$14.3 million increase in Homewarming and Affordable Renters program partially offset by \$3.5 million decrease in Low Carbon Economy Fund disbursements.
Health and Wellness	4,367,099	4,446,933	79,834	primarily due to \$65.4 million to NSHA for rising demand in health care services and \$9.8 million for Continuing Care service award payouts
Internal Services	189,497	202,219	12,722	primarily due to \$9.2 million for Modernization of Sustainment of SAP and \$3.4 million for Secondary Data Centre.
Labour and Advanced Education	389,373	373,006	(16,367)	primarily due to a reduced loan provision for student assistance
Transportation and Infrastructure Renewal	477,545	505,821	28,276	primarily due to \$13.1 million for the Nova Scotia to Maine ferry \$9.1 million in snow and ice removal and \$5.0 million Air Cargo terminal
Restructuring	190,241	146,929	(43,312)	primarily due to a reduction of budgeted provisions which were not required or funded from within departments

# Budget 2019-20

Surplus of \$33.6 million, fourth-balanced budget in a row

- ▶ Total Revenue: \$11.01 billion
- ▶ Total Expenses: \$10.98 billion, (after consolidation adjustments)

# Budget 2019-20

(\$thousands)

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	Estimate 2018-2019	Estimate 2019-2020	Budget Variance
<b>General Revenue Fund</b>			
<b>Revenues</b>			
Ordinary Revenue	9,773,351	9,962,736	189,385
Ordinary Recoveries	655,546	658,509	2,963
Net Income Government Business Enterprises	381,255	389,224	7,969
<b>Total Revenue</b>	<b>10,810,152</b>	<b>11,010,469</b>	200,317
<b>Expenses</b>			
Departmental Expenses	9,693,362	10,101,784	408,422
Refundable Tax Credits	146,883	134,324	(12,559)
Pension Valuation Adjustment	128,803	51,837	(76,966)
Debt Servicing Costs	893,573	856,107	(37,466)
<b>Total Expense</b>	<b>10,862,621</b>	<b>11,144,052</b>	281,432
<b>Consolidation and Accounting Adjustments</b>	<b>81,899</b>	<b>167,206</b>	85,307
<b>Provincial Surplus (Deficit)</b>	<b>29,430</b>	<b>33,623</b>	4,192

# Departmental Expenses (\$ thousands)

Department / Public Service Office in thousands	Estimate 2018-19	Estimate 2019-20	\$ Change in Estimate	% Change in Estimate
Agriculture	49,615	46,427	(3,188)	-6.4%
Business	156,111	152,014	(4,097)	-2.6%
Communities, Culture and Heritage	88,046	93,641	5,595	6.4%
Community Services	989,698	1,018,081	28,383	2.9%
Education and Early Childhood Development	1,397,782	1,429,342	31,560	2.3%
Energy and Mines	31,462	49,036	17,574	55.9%
Environment	37,516	38,524	1,008	2.7%
Finance and Treasury Board	23,446	23,683	237	1.0%
Fisheries and Aquaculture	20,889	21,536	647	3.1%
Health and Wellness	4,367,099	4,638,526	271,427	6.2%
Internal Services	189,497	193,834	4,337	2.3%
Justice	354,581	361,438	6,857	1.9%
Labour and Advanced Education	389,373	396,209	6,836	1.8%
Assistance to Universities	425,272	427,782	2,510	0.6%
Lands and Forestry	79,601	76,750	(2,851)	-3.6%
Municipal Affairs	212,581	213,222	641	0.3%
Public Service	210,298	220,275	9,977	4.7%
Seniors	2,709	2,721	12	0.4%
Transportation and Infrastructure Renewal	477,545	497,280	19,735	4.1%
Subtotal	9,503,121	9,900,321	397,200	4.2%
Restructuring	190,241	201,463	11,222	5.9%
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>9,693,362</b>	<b>10,101,784</b>	<b>408,422</b>	<b>4.2%</b>

Note: Year over year variances include transfers between departments.



## ❖ Improving Access to Healthcare

- \$103.7 million increase to capital grants primarily for hospital redevelopment
- \$57.2 million to NSHA for rising demand in health care services
- \$10.0 million to advance collaborative care teams for total budget of \$27.6 million in 19-20
- \$8.4 million increase in Pharmacare programs due to utilization growth
- \$4.6 million for ground ambulance call volume and EHS contract increases
- \$4.0 million to Canadian Blood Services due to growing demand for certain blood products
- \$2.9 million for addition of 15 new specialty residency spaces at Dalhousie
- \$2.8 million for implementation of Long-Term Care Expert Panel recommendations for total investment of \$5.0 million

## ❖ Improving Access to Healthcare

- \$2.3 million increase in special programs for optometric payments and cystic fibrosis drugs
  - \$2.2 million for more orthopedic surgeries for total budget of \$17.4 million in 19-20
  - \$1.0 million for SchoolsPlus programming for total budget of \$10.8 million in 19-20
  - \$0.1 million for online mental health supports at universities and NSCC, for total budget of \$0.6 million in 19-20
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- The Canada-Nova Scotia Home and Community Care and Mental Health and Addictions Services Funding Agreement will provide \$28.5 million
    - \$16.8 million to support home care, included in total home care spending of \$283.0 million
    - \$11.7 million to support mental health, included in total mental health and addictions spending of \$295.5 million

## ❖ Investing in Education and Preparing Youth for the Workforce

- \$15.0 million for implementation of recommendations from the Commission on Inclusive Education for total budget of \$30.0 million in 19-20
- \$11.2 million for the expansion of pre-primary programming for total budget of \$34.0 million in 19-20
- \$3.6 million increase to the University operating grant, as the province prepares to enter into another MOU
- \$2.0 million for Technology Advantage Program
- \$1.4 million to complete the reinstatement of Reading Recovery for total budget of \$12.0 million in 19-20

# ❖ Creating the Conditions for Economic Growth

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- \$30.9 million in Investing in Canada Infrastructure Program
- \$6.9 million related to Small Communities Fund
- \$5.0 million increase for Innovation Rebate Program for total budget of \$10.0 million in 19-20
- \$2.9 million increase for Nova Scotia to Maine Ferry for total budget of \$13.8 million in 19-20
- \$2.0 million increase for Invest NS projects for a total budget of \$6.0 million in 19-20
- \$1.7 million for implementing recommendations of the Forest Practices Review
- \$0.9 million to NSBI to support business export growth
- \$0.8 million to expand the Mineral Resources Development Fund to \$1.5 million
- \$0.6 million for Nominee Officers and Marketing Officer Support at the Office of Immigration
- \$0.5 million for incubators and accelerators that support start up companies for total budget of \$1.5 million in 19-20

# ❖ Creating the Conditions for Economic Growth

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- \$0.5 million for the new Community Works Program
- \$0.4 million for the Nova Scotia's Canadian Fish & Seafood Opportunities Fund
- \$0.2 million for Atlantic Fisheries Fund for total budget of \$8.5 million in 19-20

# ❖ Supporting Our People and Our Communities

- \$15.0 million incremental capital spending bringing total highway investment to \$300.0 million in 19-20
- \$14.2 million for Disability Support Programs (DSP) to support people in home, community and residential settings
- \$7.2 million incremental spending for Housing Nova Scotia to improve public housing units
- \$5.6 million in ESIA funding to implement the Standard Household Rate
- \$3.0 million to expand the rent supplement program
- \$2.4 million to fully implement the child maintenance payment exemption from Income Assistance, DSP and Housing programming

# ❖ Supporting Our People and Our Communities

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- \$2.0 million for a new residential child-caring facility in Dayspring, Lunenburg County
- \$1.4 million to continue with 8 small options homes and 2 community options homes
- \$1.1 million for cannabis legalization related to edibles and concentrates for total budget of \$3.5 million
- \$1.0 million for initiatives under the Blueprint to End Poverty for total budget of \$5.0 million in 19-20
- \$1.0 million for domestic violence plan for total budget of \$3.0 million in 19-20
- \$0.5 million for a new homeless shelter in Cape Breton

# Department FTEs

Departments	2018-19 Estimate FTE	2019-20 Estimate FTE	FTE Transfers	Change in Estimate	Total FTE Change
Agriculture	169.6	169.6	—	—	—
Business	28.0	27.0	(1.0)	—	(1.0)
Communities, Culture and Heritage	248.7	249.0	1.0	(0.7)	0.3
Community Services	1,621.5	1,632.0	(4.0)	14.5	10.5
Education and Early Childhood Development	205.8	207.8	—	2.0	2.0
Energy and Mines	58.2	96.0	39.8	(2.0)	37.8
Environment	355.3	355.3	—	—	—
Finance and Treasury Board	208.3	208.9	0.6	—	0.6
Fisheries and Aquaculture	70.7	70.7	—	—	—
Health and Wellness	295.4	295.4	—	—	—
Internal Services	967.9	962.9	—	(5.0)	(5.0)
Justice	1,646.8	1,657.1	5.0	5.3	10.3
Labour and Advanced Education	266.2	266.2	—	—	—
Lands and Forestry	629.0	591.2	(39.8)	2.0	(37.8)
Municipal Affairs	73.2	72.2	(1.0)	—	(1.0)
Public Service	1,553.0	1,565.9	1.0	11.9	12.9
Seniors	9.0	9.0	—	—	—
Transportation and Infrastructure Renewal	1,917.9	1,928.6	(1.6)	12.3	10.7
<b>Total Net FTEs</b>	<b>10,324.5</b>	<b>10,364.8</b>	<b>-</b>	<b>40.3</b>	<b>40.3</b>



# Capital Plan (\$ thousands)

<b>Project Type</b>	<b>2018-19 Estimate</b>	<b>2019-20 Estimate</b>	<b>Change in Estimate</b>
Highways & Structures	287,368	303,830	16,462
Buildings	129,974	91,195	(38,779)
IT Projects	24,503	10,636	(13,867)
Vehicles & Equipment	13,795	13,438	(357)
Land Purchases	10,000	2,500	(7,500)
Capital Grants	117,090	221,783	104,693
General Contingency	22,270	47,958	25,688
<b>Total</b>	<b>605,000</b>	<b>691,340</b>	<b>86,340</b>

## Continued impact of **Basic Personal Amount enhancements** (\$85 million)

- ▶ reducing provincial income taxes for 500,000 Nova Scotians; 63,000 more Nova Scotians no longer pay tax
- ▶ through increase in tax-free basic personal amount of up to \$3,000 for those with taxable incomes under \$75,000, full year cost of \$85 million. Effective January 1, 2018

## **Innovation Equity Personal and Corporate Tax Credit** (\$12 million)

- ▶ **Personal Credit** effective January 2019
- ▶ **Corporate Credit** - Creation of a 15% non-refundable income tax credit for Nova Scotia taxpayer corporations as part of the Innovation Equity Tax Credit, effective April 1 2019

## **Venture Capital Tax Credit** (\$3 million)

- ▶ Creation of a 15% non-refundable income tax credit for eligible investors (individuals and Nova Scotia corporations) for investment in a Venture Capital Corporation, effective April 1 2019

## **Accelerated Capital Cost Allowances** (\$60 million)

- ▶ Effective November 28, 2018, reduces costs of investment in machinery and equipment, in order to be more competitive with US tax reforms

## **Equity Tax Credit**

- ▶ Phase out effective December 31, 2019. Community Economic Development Investment Funds (CEDIFS) will remain as is.

# Provincial Tax Revenue

(\$ thousands)	Estimate 2018-19	Estimate 2019-20	% Change
Personal Income Tax	2,816,066	2,811,289	-0.2%
Corporate Income Tax	531,267	604,741	13.8%
Harmonized Sales Tax	1,858,125	1,895,909	2.0%
Cannabis	10,400	7,814	-24.9%
Motive Fuel Tax	272,440	276,942	1.7%
Tobacco Tax	214,118	205,432	-4.1%
Other taxes	165,961	169,329	2.0%
<b>Total</b>	<b>5,868,377</b>	<b>5,971,456</b>	<b>1.8%</b>

# All Revenue Sources

(\$ thousands)	Estimate 2018-19	Estimate 2019-20	% Change
Tax Revenue	5,868,377	5,971,456	1.8%
Other Provincial Revenue	431,265	353,666	-18.0%
Investment Income	193,054	181,494	-6.0%
Federal Sources	3,280,655	3,456,120	5.3%
Ordinary Recoveries	655,546	658,509	0.5%
Net Income from Government Business Enterprises	381,255	389,224	2.1%
<b>Total Revenue</b>	<b>10,810,152</b>	<b>11,010,469</b>	<b>1.9%</b>

- ▶ Economy will continue to grow at steady pace. Outlook:
  - ▶ Nominal GDP growth of 2.8 per cent in 2019 and 2.9 per cent in 2020
  - ▶ Real GDP growth of 0.8 per cent in 2019 and 0.9 per cent in 2020
- ▶ Economic growth due to growing population and productivity growth
  - ▶ Rising population has led to growing labour force and employment over the last 2 years
  - ▶ Labour productivity has increased for the past 5 years
- ▶ In 2018, immigration and youth migration drove population to highest level ever
- ▶ Exports rising and diversifying to markets in Asia and Europe

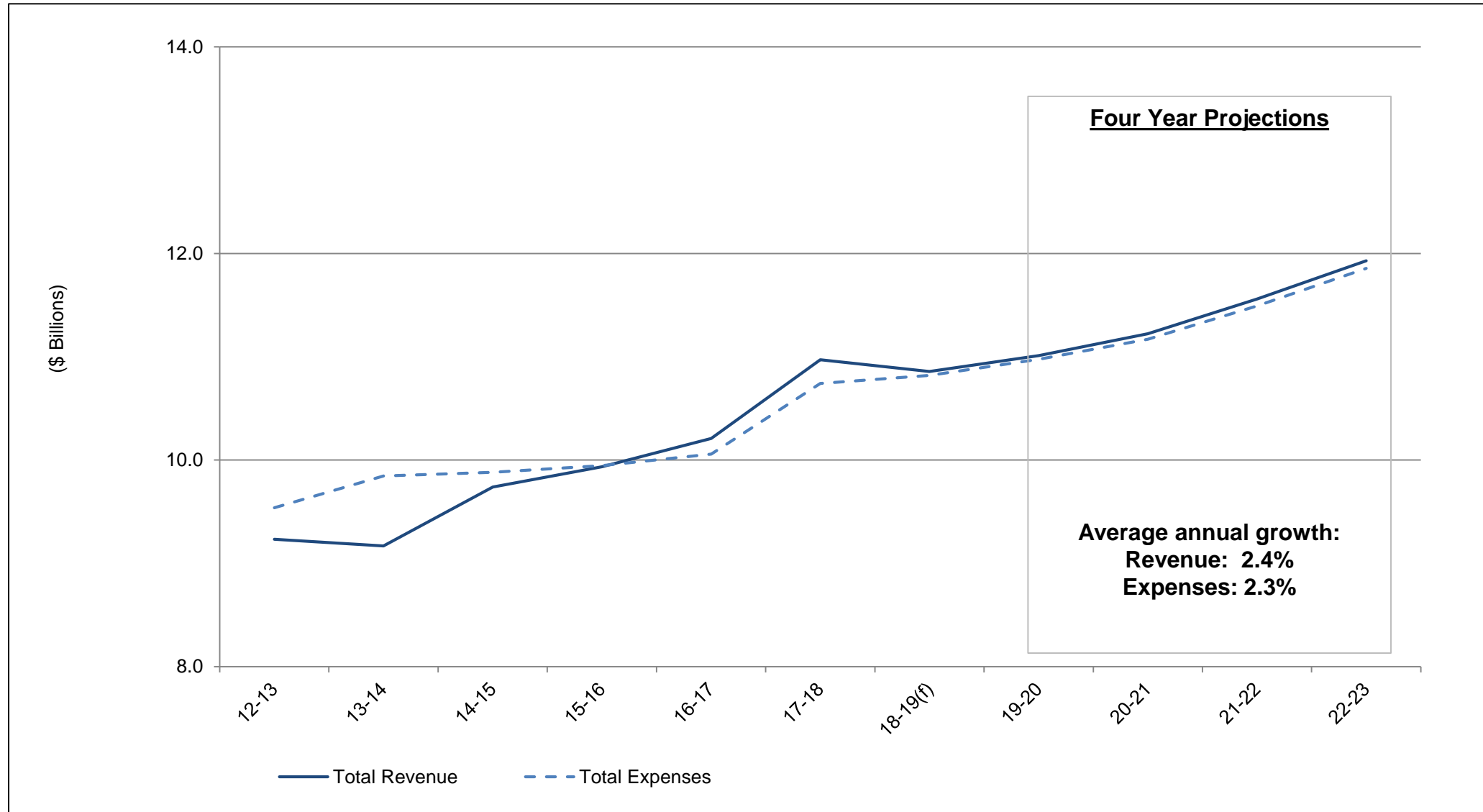
# Risks and Uncertainties

- ▶ **Economic risks:**
  - ▶ Slowing growth among larger trading partners (US, Canada, Europe, China)
  - ▶ Geopolitical: China-US tensions; Brexit; trade arrangements (CETA, CUSMA, CPTPP)
  - ▶ Impacts on debt and foreign exchange markets if monetary policy tightens
  - ▶ Major project expenditure/timing
  - ▶ Data revisions
  
- ▶ **Income Taxes:** Sensitive to taxable income or yield
  
- ▶ **Consumption Taxes:** Sensitive to household income and residential housing investment
  
- ▶ **Prior Year Adjustments** (PYAs) for open taxation years

# 4-Year Fiscal Plan: 2019-20 to 2022-23

(\$ millions)	2018-19 Estimate	2018-19 Forecast	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
<b>General Revenue Fund</b>						
Revenue						
Ordinary Revenue	9,773.4	9,795.0	9,962.7	10,185.3	10,521.8	10,898.0
Ordinary Recoveries	655.5	678.6	658.5	641.3	637.2	623.5
Net Income Government Business Enterprises	381.3	384.9	389.2	396.0	401.1	408.8
<b>Total Revenue</b>	<b>10,810.2</b>	<b>10,858.5</b>	<b>11,010.5</b>	<b>11,222.6</b>	<b>11,560.0</b>	<b>11,930.3</b>
Expenses						
Departmental Expenses	9,693.4	9,797.1	10,101.8	10,209.5	10,550.6	10,969.4
Refundable Tax Credits	146.9	129.8	134.3	135.3	136.3	137.3
Pension Valuation Adjustment	128.8	116.5	51.8	54.7	59.2	58.6
Debt Servicing Costs	893.6	862.5	856.1	787.1	757.0	700.7
	<b>10,862.6</b>	<b>10,906.0</b>	<b>11,144.1</b>	<b>11,186.6</b>	<b>11,503.2</b>	<b>11,865.9</b>
Consolidation and Accounting Adjustments	81.9	75.9	167.2	16.0	9.0	9.0
<b>Provincial Surplus (Deficit)</b>	<b>29.4</b>	<b>28.4</b>	<b>33.6</b>	<b>51.9</b>	<b>65.8</b>	<b>73.4</b>
Net Debt	15,172	15,069	15,276	15,568	15,652	15,729
Nominal GDP	44,329	43,977	45,219	46,537	48,232	49,766
<b>Debt to GDP Ratio</b>	<b>34.2%</b>	<b>34.3%</b>	<b>33.8%</b>	<b>33.5%</b>	<b>32.5%</b>	<b>31.6%</b>

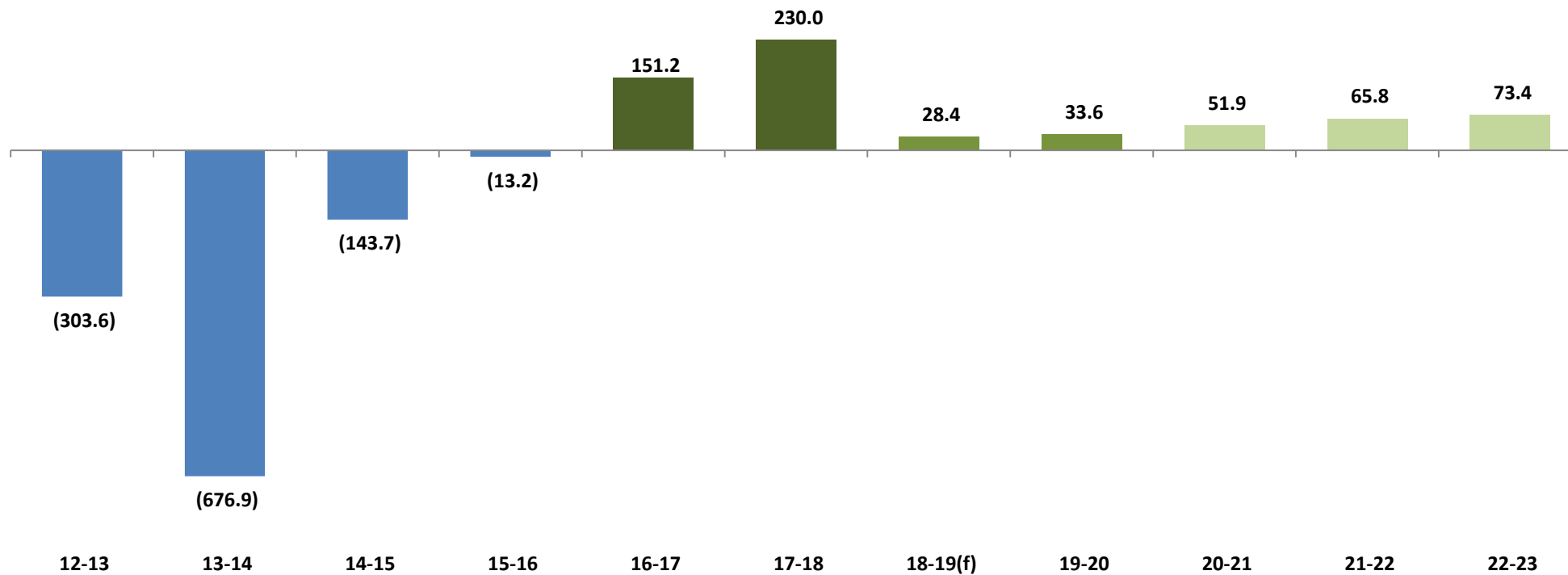
# Balanced Growth: Revenue and Expenses





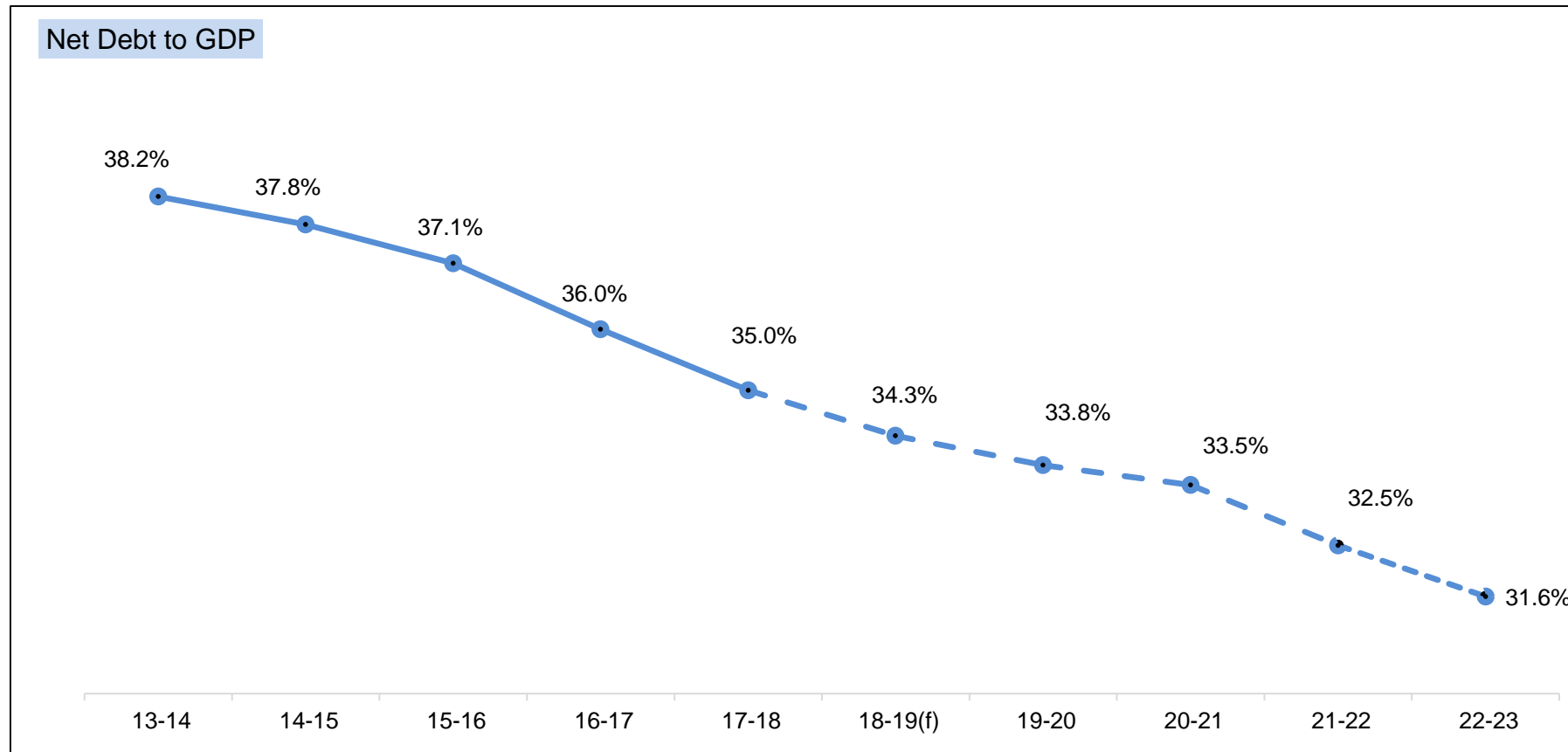
# Surplus (deficit)

(\$millions)



# Net Debt to GDP Ratio

- Nova Scotia's Net Debt to GDP ratio is improving and trending to reach the OneNS Fiscal Health Goal of 30% by 2024



# Thank You

All documents will be available electronically as soon as the Minister begins her Budget Address.

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