

Budget 2020-21

Better Together

FEBRUARY 25, 2020

Budget 2020-21

5th balanced budget and four-year fiscal plan

- ▶ Surplus of \$55.0 million
- ▶ Revenue: \$11.60 billion
- ▶ Expenses: \$11.54 billion

Better Together

Budget 2020-21 priorities

- ▶ Improving the Lives of Nova Scotians
- ▶ Building on our Economic Success
- ▶ Investing in Modern Infrastructure
- ▶ Confidence in a Brighter Future

Last Year's Budget: 2019-20 Forecast Update



Revenues more than budget: \$401.5 million (3.6%)

- Higher revenues from taxes, positive prior year adjustments, investment earnings, and federal sources



Expenses more than budget: \$336.2 million (3.0%)

- Departmental expenses up overall by \$339.1 million (3.4%)
- \$2.9 million decrease in other expenses



Provincial Surplus above budget: \$7.5 million

- Surplus is \$41.1 million relative to budget of \$33.6 million

Forecast 2019-20: Last year's budget

(\$ thousands)

	Estimate 2019-2020	Forecast 2019-2020	Variance
General Revenue Fund			
Revenues			
Ordinary Revenue	9,962,736	10,205,281	242,545
Ordinary Recoveries	658,509	817,906	159,397
Net Income Government Business Enterprises	389,224	388,768	(456)
Total Revenue	11,010,469	11,411,955	401,486
Expenses			
Departmental Expenses	10,101,784	10,440,886	339,102
Refundable Tax Credits	134,324	121,467	(12,857)
Pension Valuation Adjustment	51,837	74,904	23,067
Debt Servicing Costs	856,107	843,034	(13,073)
Total Expense	11,144,052	11,480,291	336,239
Consolidation and Accounting Adjustments	167,206	109,463	(57,743)
Provincial Surplus (Deficit)	33,623	41,127	7,504

Departmental Variances 2019-20 Budget to Forecast

(\$thousands)

Department	2019-20 Estimate	2019-20 Forecast	Variance	
Business	\$ 152,014	\$ 214,392	\$ 62,378	primarily due to \$50.0 million formation of Forestry Innovation Transition Trust and \$10.0 million to HIAA for additional Air Route access.
Communities, Culture and Heritage	\$ 93,641	\$ 103,800	\$ 10,159	primarily due to \$7.8 million investments in community infrastructure grants and an \$1.5 million investment in Community Transportation and infrastructure in Cape Breton.
Community Services	\$ 947,904	\$ 992,190	\$ 44,286	primarily due to \$19.8 million in Child, Youth and Family supports for children with complex needs and \$17.1 million in Disability Support Programming due to growth in program need.
Health and Wellness	\$ 4,638,526	\$ 4,712,055	\$ 73,529	primarily due to \$68.4 million in additional funding to the NSHA for a variety of health care services, \$33.5 million related to the Physician services Master Agreement, \$15.8 million due to higher utilization of Family and Seniors Pharmacare, and \$15.3 million for Long Term Care facility repairs and maintenance, partially offset by a reduction of \$58.5 million due to changes in cash flows for the QEII projects.
Assistance to Universities	\$ 427,782	\$ 448,072	\$ 20,290	primarily due to \$20.0 million for additional assistance for deferred maintenance initiatives.
Municipal Affairs and Housing	\$ 283,399	\$ 347,379	\$ 63,980	primarily due to \$57.1 million flow-through from a one-time increase in payments for the Federal Gas Tax transfer to municipalities.
Service Nova Scotia and Internal Services	\$ 282,947	\$ 299,356	\$ 16,409	primarily due to \$6.0 million for modernization and sustainment of SAP for Health sector, \$4.0 million for software licensing and \$3.2 million increase in recoverable expenses for health related equipment, and \$2.2 million for an increase in reserve for impaired fines.
Transportation and Infrastructure Renewal	\$ 497,280	\$ 527,796	\$ 30,516	primarily due to \$10.8 million for advancement of Windsor Street Exchange, \$6.2 million for snow and ice removal costs, \$4.0 million for Nova Scotia to Maine Ferry costs, \$2.9 million as a result of storm damage from Hurricane Dorian, \$2.3 million for operating costs associated with P3 projects and \$2.0 million for the removal of a crane in Halifax.

Budget 2020-21: Overview

(\$ thousands)

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	Estimate 2019-2020	Estimate 2020-2021	Variance
General Revenue Fund			
Revenues			
Ordinary Revenue	9,962,736	10,538,506	575,770
Ordinary Recoveries	658,509	666,720	8,211
Net Income Government Business Enterprises	389,224	391,814	2,590
Total Revenue	11,010,469	11,597,040	586,571
Expenses			
Departmental Expenses	10,101,784	10,650,274	548,490
Refundable Tax Credits	134,324	131,451	(2,873)
Pension Valuation Adjustment	51,837	75,832	23,995
Debt Servicing Costs	856,107	758,393	(97,714)
Total Expense	11,144,052	11,615,950	471,898
Consolidation and Accounting Adjustments	167,206	73,936	(93,270)
Provincial Surplus (Deficit)	33,623	55,026	21,403

Departmental Expenses (\$ thousands)

Department/ Public Service Office in thousands	Estimate 2019-20	Estimate 2020-21	\$ Change in Estimate	% Change in Estimate
Agriculture	\$ 46,427	\$ 42,075	\$ (4,352)	-9.4%
Business	152,014	149,022	(2,992)	-2.0%
Communities, Culture and Heritage	93,641	96,890	3,249	3.5%
Community Services	947,904	1,002,202	54,298	5.7%
Education and Early Childhood Development	1,429,342	1,479,302	49,960	3.5%
Energy and Mines	49,036	63,509	14,473	29.5%
Environment	38,524	42,492	3,968	10.3%
Finance and Treasury Board	23,683	24,282	599	2.5%
Fisheries and Aquaculture	21,536	17,792	(3,744)	-17.4%
Health and Wellness	4,638,526	4,822,637	184,111	4.0%
Justice	361,438	374,244	12,806	3.5%
Labour and Advanced Education	396,209	400,631	4,422	1.1%
Assistance to Universities	427,782	433,420	5,638	1.3%
Lands and Forestry	76,750	78,215	1,465	1.9%
Municipal Affairs and Housing	283,399	308,513	25,114	8.9%
Public Service	131,162	136,354	5,192	4.0%
Seniors	2,721	2,711	(10)	-0.4%
Service Nova Scotia and Internal Services	282,947	299,199	16,252	5.7%
Transportation and Infrastructure Renewal	497,280	535,752	38,472	7.7%
Subtotal	\$ 9,900,321	\$ 10,309,242	\$ 408,921	4.1%
Restructuring	201,463	341,032	139,569	69.3%
TOTAL DEPARTMENTAL EXPENSES	\$ 10,101,784	\$ 10,650,274	\$ 548,490	5.4%

Note: Year over year variances include transfers between departments.

Budget 2020-21

- ▶ \$18.0 million related to the Nova Scotia Child Benefit
- ▶ \$17.3 million to fully fund the Standard Household Rate
- ▶ \$1.4 million to increase resources in the fight against human trafficking
- ▶ \$2.0 million for the Affordable Renters Program
- ▶ \$18.7 million for the second year of initiatives under the Nova Scotia Action Plan for Affordable Housing
- ▶ \$4.1 million for an integrated Action Plan to Address Homelessness

Budget 2020-21

- ▶ \$86.1 million to the Nova Scotia Health Authority and IWK to help address increased demand for services
- ▶ \$75.3 million for the new Doctor's Master Agreement
- ▶ \$4.0 million for operation of new dialysis units, Glace Bay, Digby, Kentville
- ▶ \$4.7 million to train new doctors including
 - \$1.9 million for the second cohort of 15 specialty residency seats
 - \$1.5 million for an additional 12 seats at Dalhousie School of Medicine to help address the family physician shortage
 - \$1.3 million for the next cohort of 10 family medicine residents
- ▶ \$692 thousand to add 70 nursing seats at Cape Breton University, Dalhousie Yarmouth Campus
- ▶ \$3.2 million to support implementation of the Human Organ Tissue Donation initiative

Budget 2020-21

- ▶ \$17.5 million to complete the expansion of pre-primary for a total budget of \$51.4 million
- ▶ \$4.0 million to implement phase two of busing for eligible pre-primaries in September
- ▶ \$15.0 million to continue implementing the recommendations from the Commission on Inclusive Education for a total budget of \$45 million
- ▶ \$16.6 million for programs that support adults and children with disabilities
- ▶ \$1.9 million for expanded Prevention and Early Intervention Child Welfare programming for children and families at risk

Budget 2020-21

- ▶ 2% decrease in Corporate Tax rate to 14% (\$70.5 million)
- ▶ 0.5% decrease in Small Business Tax Rate to 2.5% (\$10.5 million)
- ▶ \$5.0 million to establish the Forestry Innovation Rebate Program (FIRP)
- ▶ \$5.0 million for the Nova Scotia Film and Television Production Incentive Fund to support growing demand for a total budget of \$25 million
- ▶ \$8.3 million to the Efficiency Nova Scotia Home Warming program

Budget 2020-21

- ▶ \$351 million increase in capital plan for a total budget of \$1.0 billion, largest capital plan in the province's history includes
 - \$265.6 million investment for the purchase and construction of schools
 - \$154.4 million to support QEII and CBRM healthcare redevelopment
 - \$54.3 million for other hospitals and medical facilities across the province
 - \$385 million for Nova Scotia's roads, highways and bridges

Budget 2020-21

- ▶ \$1.6 million to start the Green Fund for:
 - the Nova Scotia cap and trade auctioning system
 - Building Regional Adaptation Capacity and Expertise (BRACE) program
 - developing a new Climate Change Strategy
 - climate change risk assessment

- ▶ \$2.2 million increase to the Student Loan Forgiveness program

Department FTEs

Department	2019-20 FTE Estimate	2020-21 FTE Estimate	FTE transfers	Change in Estimate	Total FTE change
Agriculture	169.6	169.6	—	—	---
Business	27.0	27.0	—	—	---
Communities, Culture and Heritage	249.0	249.6	(1.1)	1.7	0.6
Community Services	1,550.2	1,533.7	(4.0)	(12.5)	(16.5)
Education and Early Childhood Development	207.8	207.8	—	—	---
Energy and Mines	96.0	96.0	—	—	---
Environment	355.3	356.3	1.0	—	1.0
Finance and Treasury Board	208.9	210.5	(1.4)	3.0	1.6
Fisheries and Aquaculture	70.7	70.7	—	—	---
Health and Wellness	295.4	322.2	16.0	10.8	26.8
Justice	1,657.1	1,689.8	2.0	30.7	32.7
Labour and Advanced Education	266.2	266.2	—	—	---
Lands and Forestry	591.2	591.2	—	—	---
Municipal Affairs and Housing	154.0	182.0	5.0	23.0	28.0
Public Service	906.9	916.7	1.5	8.3	9.8
Seniors	9.0	9.0	—	—	---
Service Nova Scotia and Internal Services	1,621.9	1,614.9	(15.0)	8.0	(7.0)
Transportation and Infrastructure Renewal	1,928.6	1,922.9	(4.0)	(1.7)	(5.7)
Total Net Full Time Equivalentents (FTEs)	10,364.8	10,436.1	-	71.3	71.3

Additional Tax Measures

- ▶ Extension of Digital Animation Tax Credit
 - ▶ Extended to December 31, 2025 from June 30, 2020
 - ▶ \$16 million budget in 2020-21

- ▶ Extension of Digital Media Tax Credit
 - ▶ Extended to December 31, 2025 from December 31, 2020
 - ▶ \$6.2 million budget in 2020-21

- ▶ Introduction of permitting and taxation of vaping products
 - ▶ Permitting requirement effective July 1, 2020 and tax effective September 15, 2020
 - ▶ Taxation rates: \$0.50/ml for liquid and 20% of retail value of all devices
 - ▶ 2020-21 revenue of \$2.3 million (estimated annual revenue of \$4.3 million)

Additional Tax Measures

- ▶ Tobacco Tax Measures (\$17.4 million)
 - ▶ Effective 12:01 AM February 26, 2020
 - ▶ 2 cent increase on cigarettes to 29.52 cents from 27.52 cents (10.8 million)
 - ▶ 15 percentage point increase on tax on cigars to 75% of suggested retail price from 60% (1.5 million)
 - ▶ Tax on fine cut and other forms of tobacco increased to 40 cents per gram (5.1 million)
 - From 26 cents per gram for fine cut
 - From 18.52 cents pre gram for other forms of tobacco

- ▶ 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. Effective January 1, 2018

- ▶ Continued impact of increase small business tax rate threshold to \$500,000
 - ▶ Assisting almost 2,000 businesses Effective January 1, 2017

Revenue

(\$thousands)	Estimate 2019-20	Estimate 2020-21	Variance	% change
Tax Revenue	5,971,456	6,191,370	219,914	3.7%
Personal Income Tax	2,811,289	2,979,575	168,286	6.0%
Corporate Income Tax	604,741	541,872	(62,869)	-10.4%
Harmonized Sales Tax	1,895,909	2,004,070	108,161	5.7%
Cannabis	7,814	7,205	(609)	-7.8%
Vaping Tax		2,332	2,332	100.0%
Motive Fuel Tax	276,942	277,161	219	0.1%
Tobacco Tax	205,432	196,501	(8,931)	-4.3%
Other taxes	169,329	182,654	13,325	7.9%
Other Provincial Revenue	353,666	343,388	(10,278)	-2.9%
Investment Income	181,494	152,457	(29,037)	-16.0%
Federal Source	3,456,120	3,851,291	395,171	11.4%
Ordinary Recoveries	658,509	666,720	8,211	1.2%
Net Income from Government Business Enterprises	389,224	391,814	2,590	0.7%
Total Revenue	11,010,469	11,597,040	586,571	5.3%

Economic Outlook

- ▶ 2019 saw fastest GDP growth since 2010
- ▶ 2020 growth will slow, associated with impacts of Northern Pulp Mill closure
- ▶ 2021 growth will rebound in 2021

Growth	2019	2020	2021
Nominal	3.8%	2.4%	3.2%
Real	1.9%	0.4%	1.2%

- ▶ 2020 slowdown seen in exports, employee compensation, household consumption, and higher unemployment rate – but improving in 2021
- ▶ Shipbuilding, major projects, and provincial infrastructure investments will support growth
- ▶ Population growth will support residential and non-residential construction, labour force growth and employment (2021)

Risks and Uncertainties

▶ **Economic risks:**

- ▶ Northern Pulp closure (and spin-off industry), but offsetting mitigations/transition is not built in
- ▶ Short term impacts of Coronavirus outbreak
- ▶ Upside with improving growth US, Canada, Europe; but also trade tensions (US-China; UK-EU)
- ▶ Sensitive to changes in immigration, productivity, and business investment
- ▶ Major project expenditure/timing and data revisions

▶ **Income Taxes:** Sensitive to taxable income or yield

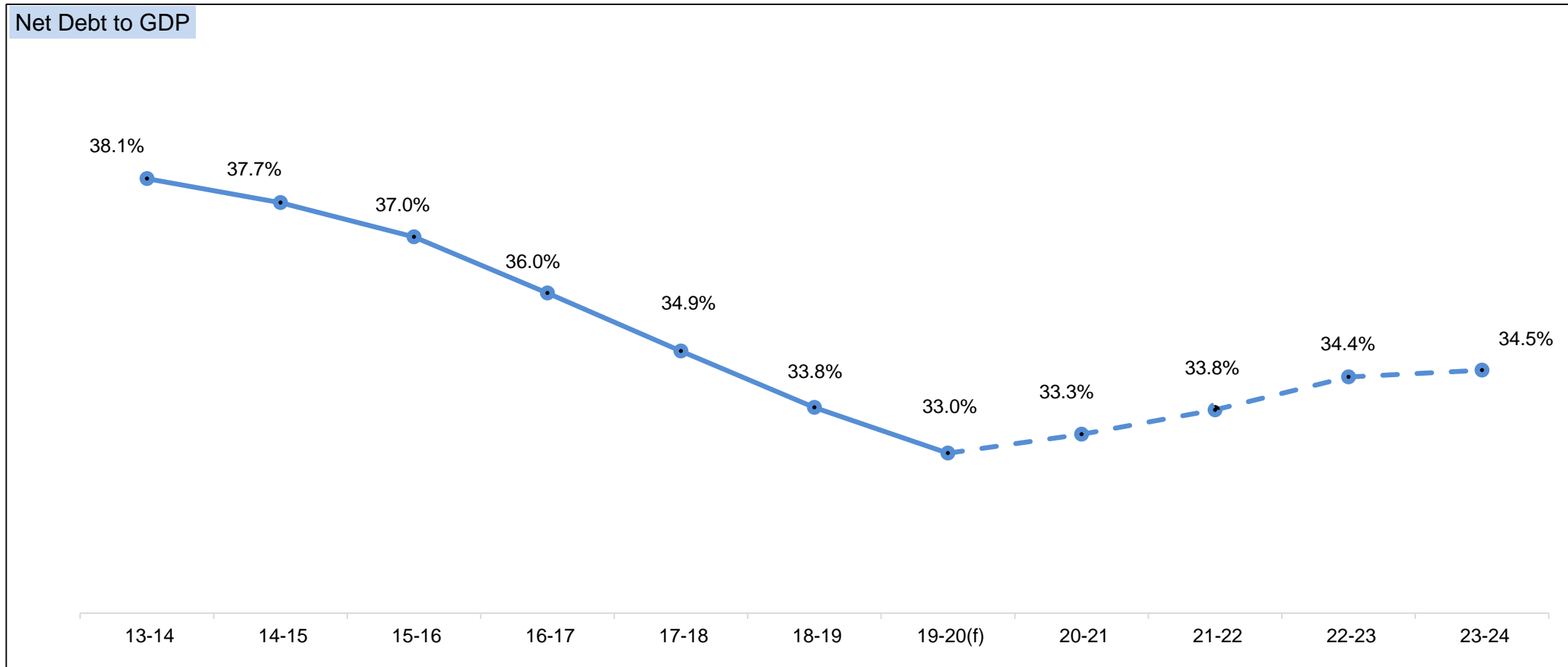
▶ **Consumption Taxes:** Sensitive to household income and residential housing investment

▶ **Prior Year Adjustments** (PYAs) for open taxation years

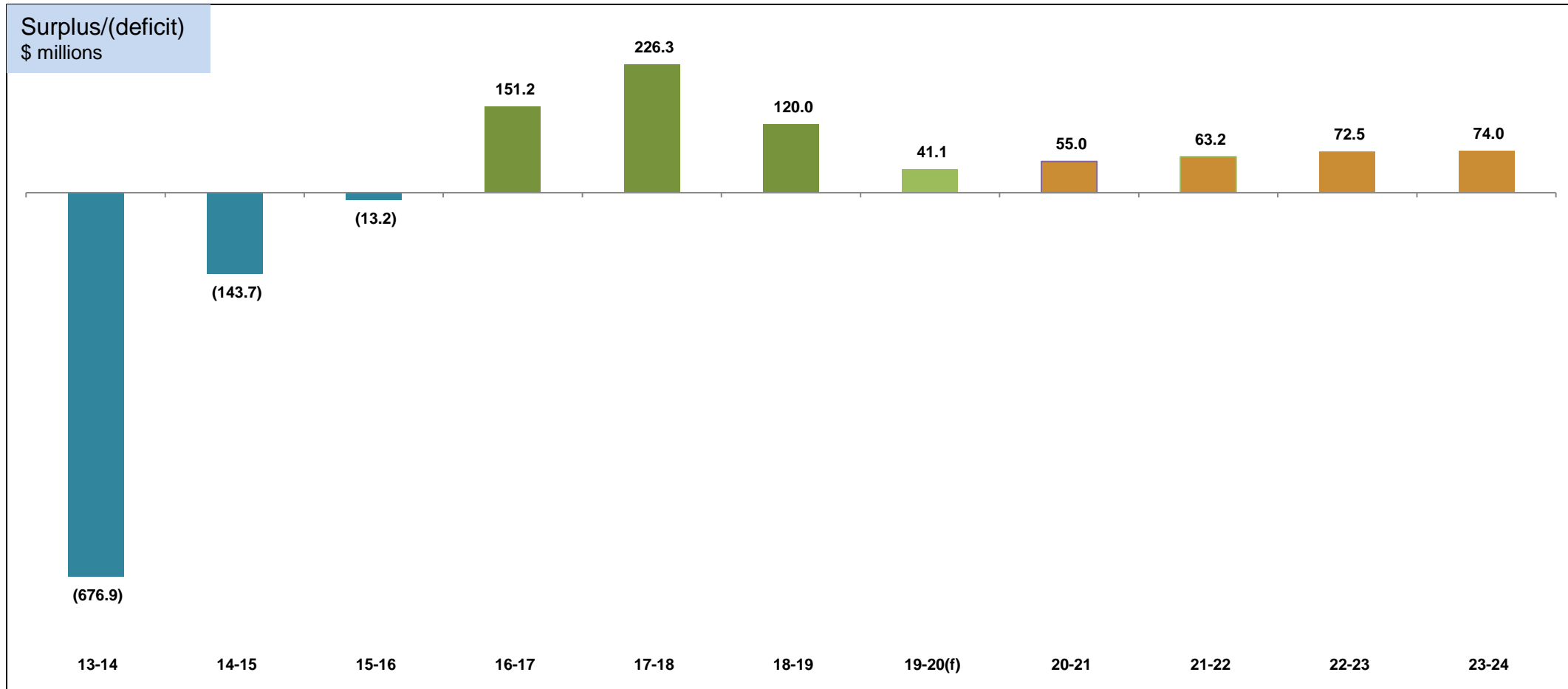
Four -Year Fiscal Plan: 2020-21 to 2023-24

(\$millions)	2019-20 Estimate	2019-20 Forecast	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
General Revenue Fund						
Revenue						
Ordinary Revenue	9,962.7	10,205.3	10,538.5	10,807.1	10,972.9	11,164.5
Ordinary Recoveries	658.5	817.9	666.7	655.6	629.4	618.2
Net Income Government Business						
Enterprises	389.2	388.8	391.8	393.3	393.4	398.1
Total Revenue	11,010.5	11,412.0	11,597.0	11,856.1	11,995.7	12,180.8
Expenses						
Departmental Expenses	10,101.8	10,440.9	10,650.3	10,894.0	11,073.8	11,255.2
Refundable Tax Credits	134.3	121.5	131.5	132.2	132.8	133.5
Pension Valuation Adjustment	51.8	74.9	75.8	68.0	74.9	76.8
Debt Servicing Costs	856.1	843.0	758.4	725.1	664.3	663.8
Total Expenses	11,144.1	11,480.3	11,616.0	11,819.2	11,945.9	12,129.3
Consolidation and Accounting Adjustments	167.2	109.5	73.9	26.3	22.6	22.6
Provincial Surplus (Deficit)	33.6	41.1	55.0	63.2	72.5	74.0
Net Debt	15,276	15,181	15,716	16,443	17,253	17,866
Nominal GDP	45,219	46,020	47,133	48,649	50,134	51,725
Debt to GDP Ratio	33.8%	33.0%	33.3%	33.8%	34.4%	34.5%

Net Debt to GDP



Fiscal Sustainability



Thank You

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

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