



Budget 2018-19

Stronger Services and Supports

Overview

Achieving Fiscal Sustainability

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

Stronger services and supports

- Investments in health care, education, early years, communities, and inclusive economic growth

Government's 2018-19 priorities

- Healthier People and Communities
- Investing in Early Years and Education
- Safe and Connected Communities
- Inclusive Economic Growth

Forecast 2017-18: Last Year's budget

Balanced budget for 2017–18 with surplus forecasted at \$133.5 million and net position of \$23.2 million

- Net position \$1.9 million higher than the original budget estimate of \$21.3 million

Total Revenue up \$167.0 million or 1.6% from Budget

- \$107.1 million from prior year adjustments

Total Expenses up \$163.1 million or 1.6% from Budget

- \$153.3 million (1.6%) increase in departmental spending
- \$9.8 million net increase in other expenses

Forecast 2017-18: Last Year's budget

(\$thousands)

	Estimate 2017-18	Forecast 2017-18	Variance
General Revenue Fund			
Revenues			
Ordinary Revenue	9,485,518	9,656,176	170,658
Ordinary Recoveries	709,389	696,936	(12,453)
Net Income Government Business Enterprises	378,754	387,524	8,770
Total Revenue	10,573,661	10,740,636	166,975
Expenses			
Departmental Expenses	9,505,542	9,658,875	153,333
Refundable Tax Credits	125,472	115,213	(10,259)
Pension Valuation Adjustment	31,214	63,785	32,571
Debt Servicing Costs	850,214	837,713	(12,501)
Total Expense	10,512,442	10,675,586	163,144
Consolidation and Accounting Adjustments	70,391	68,462	(1,929)
Provincial Surplus (Deficit)	131,610	133,512	1,902
Less: Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	(110,300)	-
Net Position	21,310	23,212	1,902

Departmental Variances – 2017-18

Department	Estimate 2017-18	Forecast 2017-18	Var.	Explanation – Primarily due to:
Business	196.1	304.9	108.8	\$107M (total \$120M) for NS Internet Trust Fund
Communities, Culture & Heritage	84.3	98.5	14.2	Investment in cultural infrastructure
Health and Wellness	4,214.2	4,264.4	50.3	\$42.8M for Health Authorities due to rising demand for services and \$18.2M for investments in Patient Attachment, Enrolment, and EMR Incentive Trusts
Assistance to Universities	433.1	473.3	40.3	\$20.0M for investment in Research NS Trust, \$11.0M for investment in SMU innovation hub, and other capital investments
Energy	29.0	52.9	23.9	\$12.2M payment to ENS for low income energy efficiency programs; \$11.8M for Offshore Growth Strategy third party payments
Transportation and Infrastructure Renewal	465.8	479.4	13.6	\$7.0M snow and ice removal and \$4.3M Yarmouth ferry engine overhaul
Municipal Affairs	332.4	286.9	(45.5)	\$33.7M for project delays under Clean Water and Waste Water Fund and \$6.1M for project delays under Public Transit Infrastructure Fund
Restructuring	163.4	88.0	(75.4)	Reduction of budgeted provisions not required or funded within departments

Budget 2018-19

Surplus of \$29.4 million, third-balanced budget in a row, based on:

- Total Revenue is \$10.810 billion
- Total Expenses (after consolidation adjustments) are \$10.781 billion

Budget 2018-19

(\$thousands)

	Estimate 2017-18	Estimate 2018-19	Variance
General Revenue Fund			
Revenues			
Ordinary Revenue	9,485,518	9,773,351	287,833
Ordinary Recoveries	709,389	655,546	(53,843)
Net Income Government Business Enterprises	378,754	381,255	2,501
Total Revenue	10,573,661	10,810,152	236,491
Expenses			
Departmental Expenses	9,505,542	9,693,362	187,820
Refundable Tax Credits	125,472	146,883	21,411
Pension Valuation Adjustment	31,214	128,803	97,589
Debt Servicing Costs	850,214	893,573	43,359
Total Expense	10,512,442	10,862,621	350,179
Consolidation and Accounting Adjustments	70,391	81,899	11,508
Provincial Surplus (Deficit)	131,610	29,430	(102,180)
Less: Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	-	110,300
Net Position	21,310	29,430	8,120

Departmental Expenses

(\$ thousands)

Department / Public Service Office in thousands	Estimate 2017-2018	Estimate 2018-2019	\$ Change in Estimate	% Change in Estimate
Agriculture	41,992	49,615	7,623	18.2%
Business	196,137	156,111	(40,026)	-20.4%
Communities, Culture and Heritage	84,295	88,046	3,751	4.4%
Community Services	949,621	989,698	40,077	4.2%
Education and Early Childhood Development	1,317,657	1,397,782	80,125	6.1%
Energy	29,004	31,462	2,458	8.5%
Environment	37,239	37,516	277	0.7%
Finance and Treasury Board	23,100	23,446	346	1.5%
Fisheries and Aquaculture	15,062	20,889	5,827	38.7%
Health and Wellness	4,214,153	4,367,099	152,946	3.6%
Internal Services	189,091	189,497	406	0.2%
Justice	340,711	354,581	13,870	4.1%
Labour and Advanced Education	376,151	389,373	13,222	3.5%
Assistance to Universities	433,079	425,272	(7,807)	-1.8%
Municipal Affairs	332,423	212,581	(119,842)	-36.1%
Natural Resources	77,178	79,601	2,423	3.1%
Public Service	217,153	210,298	(6,855)	-3.2%
Seniors	2,301	2,709	408	17.7%
Transportation and Infrastructure Renewal	465,774	477,545	11,771	2.5%
Subtotal	9,342,121	9,503,121	161,000	1.7%
Restructuring	163,421	190,241	26,820	16.4%
TOTAL DEPARTMENTAL EXPENSES	9,505,542	9,693,362	187,820	2.0%

Note: Year over year variances include transfers between departments.

Stronger Services and Supports

Healthier People and Communities:

- \$35.3 million increase for QEI Redevelopment
- \$30.0 million to NSHA and \$4.0 million to IWK for rising demand
- \$8.0 million to advance collaborative care teams
- \$18.1 million to increase payments to family physicians
- \$0.4 million in increased tuition relief as part of physician recruitment effort
- \$8.8 million for more orthopedic surgeries, surgeons, central booking system, prehab
- \$5.3 million capital grant increase for medical equipment, including equipment to do more orthopedic surgeries
- \$6.8 million for ground ambulance call volume (\$5.0M) and EHS contract increases (\$1.8M)
- \$5.5 million additional investment in home care, including \$3.3 million to expand the Caregiver Benefit program

Stronger Services and Supports

Healthier People and Communities (continued):

- \$2.0 million increase in Pharmacare programs due to utilization growth offset by generic drug savings
- \$1.8 million for further investment in youth mental health
- \$1.6 million for SchoolsPlus programming
- \$1.5 million to support use of Electronic Medical Record software for physicians
- \$1.25 million for investment in the second year of the Opioid Action Plan
- \$1.2 million increase in the Take Home Cancer Therapies program
- \$1.1 million for mental health community-based supports
- \$1.0 million more for youth health centres
- \$0.5 million for mental health online pilot for post-secondary students

Stronger Services and Supports

Investing in Early Years and Education

- \$17.6 million for accelerated expansion of pre-primary programming
- \$15.5 million to make regulated child care more accessible, affordable, and inclusive by adding up to 1,000 more spaces and providing enhanced funding toward the cost of regulated child care for 1,600 eligible children (fully recoverable from the federal government)
- \$15.0 million for implementation of recommendations from the Commission on Inclusive Education
- \$10.0 million to implement new recommendations from the Council to Improve Classroom Conditions
- \$3.3 million for Reading Recovery expansion
- \$0.3 million for skilled trades classes in 4 high schools

Stronger Services and Supports

Safe and Connected Communities:

- \$16.2 million in Disability Support program to support more people in the community
- \$3.4 million to fully exempt child-support payments from Income Assistance calculations
- \$2.8 million to support children in care
- \$3.0 million to double the tax-free poverty reduction credit
- \$2.0 million for initiatives under the Blueprint to End Poverty

Stronger Services and Supports

Safe and Connected Communities (continued):

- \$2.1 million to help create 8 small options homes and 2 community options homes
- \$0.25 million to help first-time home buyers with their down payment
- \$2.0 million for domestic violence action plan
- \$12.4 million to Housing Nova Scotia to improve public housing buildings
- \$3.0 million to expand the rent supplement program
- \$0.5 million for new Beautification and Streetscaping program
- \$2.4 million to expand and support community transportation under SHIFT
- \$50.0 million in capital spending for highway twinning and safety programming
- \$10.0 million in capital spending for gravel roads
- \$5.0 million for highway maintenance

Stronger Services and Supports

Inclusive Economic Growth

- \$1.7 million to enhance the Graduate to Opportunity program
- \$0.4 million to enhance the Mathematics of Information Technology & Complex Systems (MITACs) program
- \$1.5 million increase to the work incentive for people receiving income assistance
- \$5.8 million added to the Atlantic Fisheries Fund to develop fish/seafood sector
- \$3.0 million for more business start-ups & other initiatives that support innovation
- \$3.0 million to create the Building Tomorrow Fund to support innovation in agriculture, fisheries, and aquaculture
- \$3.0 million to complete the Centre for Ocean Ventures Entrepreneurship, in partnership with the federal government
- \$0.5 million more for incubators and accelerators, which support startup companies

Stronger Services and Supports

Inclusive Economic Growth (continued)

- \$0.7 million to create the Mineral Resources Development Fund to increase prospecting, mine development, and research
- \$3.0 million contribution in Year 1 of a four-year, federal-provincial initiative to deliver more low-carbon efficiency programs, while supporting local jobs

Departmental FTEs

Department / Public Service Office - Net FTEs	Estimate 2017-2018	Estimate 2018-2019	Change in Estimate	% Change in Estimate
Agriculture	169.6	169.6	-	0.0%
Business	28.0	28.0	-	0.0%
Communities, Culture and Heritage	246.3	248.7	2.4	1.0%
Community Services	1,603.0	1,621.5	18.5	1.2%
Education and Early Childhood Development	197.8	205.8	8.0	4.0%
Energy	58.2	58.2	-	0.0%
Environment	355.3	355.3	-	0.0%
Finance and Treasury Board	207.9	208.3	0.4	0.2%
Fisheries and Aquaculture	69.9	70.7	0.8	1.1%
Health and Wellness	296.4	295.4	(1.0)	-0.3%
Internal Services	962.9	967.9	5.0	0.5%
Justice	1,630.2	1,646.8	16.6	1.0%
Labour and Advanced Education	266.2	266.2	-	0.0%
Municipal Affairs	74.2	73.2	(1.0)	-1.3%
Natural Resources	630.0	629.0	(1.0)	-0.2%
Public Service	1,523.4	1,553.0	29.6	1.9%
Seniors	9.0	9.0	-	0.0%
Transportation and Infrastructure Renewal	1,908.3	1,917.9	9.6	0.5%
Total	10,236.6	10,324.5	87.9	0.9%

Note: Year over year variances include transfers between departments.

Capital Plan

(\$ thousands)

Project Type	2018-19 Estimate
Highways & Structures	287,368
Buildings	129,974
IT	24,503
Land Purchases	10,000
Vehicles and Equipment	13,795
Capital Grants	117,090
Contingency	22,270
Total - Capital Spending	605,000

Noteworthy Capital Plan Additions

- Halifax Infirmary 3rd and 5th floor renovations (DHW)
- Digby General Hospital dialysis unit design and construction (DHW)
- Medical equipment increased funding (DHW)
- Medical facilities repairs and renewals increased funding (DHW)
- Housing Nova Scotia public housing renewal (DCS)
- Major highway construction increased funding for highway twinning and road safety (TIR)
- Gravel road program increased funding (TIR)
- School capital repairs increased funding (EECD)
- Courts barrier-free access improvements (TIR/Justice)
- MEP compatibility and accessibility IT system (Justice)

Tax Measures

First full year impact of Basic Personal Amount enhancements

- 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

Cannabis Tax

- Agreement in principle to enter coordinated cannabis tax framework with federal government for 2-year period. Applies to medical and recreational products.
- \$1 per gram in duties of which 75 cents to the province, estimated to generate \$10.4 M in 2018-19
- HST from cannabis estimated at \$10.4 million in 2018-19

Remove \$10,000 limit on medical expenses for dependents

- Treat financially dependent relatives in same manner as children, spouse, or common-law partners. Mirror federal government's approach. Annual cost of removing limit is less than \$150,000

Introduce new Innovation Equity Tax Credit

- Begins Jan. 1, 2019 and will be more narrowly focused and have a threshold similar to our neighbours. The existing equity tax credit will be phased out over time.

Provincial Tax Revenue

(\$ thousands)	Estimate 2017-18	Estimate 2018-19	% Change
Personal Income Tax	2,710,594	2,816,066	3.9%
Corporate Income Tax	506,627	531,267	4.9%
Harmonized Sales Tax	1,829,442	1,858,125	1.6%
Cannabis	---	10,400	100.0%
Motive Fuel Tax	266,655	272,440	2.2%
Tobacco Tax	220,119	214,118	-2.7%
Other taxes	160,416	165,961	3.5%
Tax Revenue	5,693,853	5,868,377	3.1%

All Revenue Sources

(\$ thousands)	Estimate 2017-18	Estimate 2018-19	% Change
Tax Revenue	5,693,853	5,868,377	3.1%
Other Provincial Revenue	415,738	431,265	3.7%
Investment Income	180,070	193,054	7.2%
Federal Sources	3,195,857	3,280,655	2.7%
Ordinary Recoveries	709,389	655,546	-7.6%
Net Income from Government Business Enterprises	378,754	381,255	0.7%
Total Revenue	10,573,661	10,810,152	2.2%

Economics 2018-19

Economic growth in 2017, stronger than expected. Outlook:

- Nominal GDP growth of 2.9 per cent in each of 2018 and 2019
- Real GDP growth of 1.0 per cent in 2018 and 0.8 per cent in 2019

- Growth in productivity has been the source of economic growth since 2016 and has more than offset impacts of demographic changes

- In 2017, NS had first rise in labour force and employment since 2012

- Exports rising and diversifying to markets in Asia and Europe.

Risks and Uncertainties

Key economic risks:

- impacts of changes to trade arrangements (CETA, NAFTA)
- impacts on debt and foreign exchange markets as monetary policy tightens
- maintaining productivity growth as demography shifts

Cannabis: Delay in legalization. Consumer use in the legal market may vary.

Income Taxes: Sensitive to taxable income or yield

Consumption Taxes: Sensitive to household income and residential housing investment

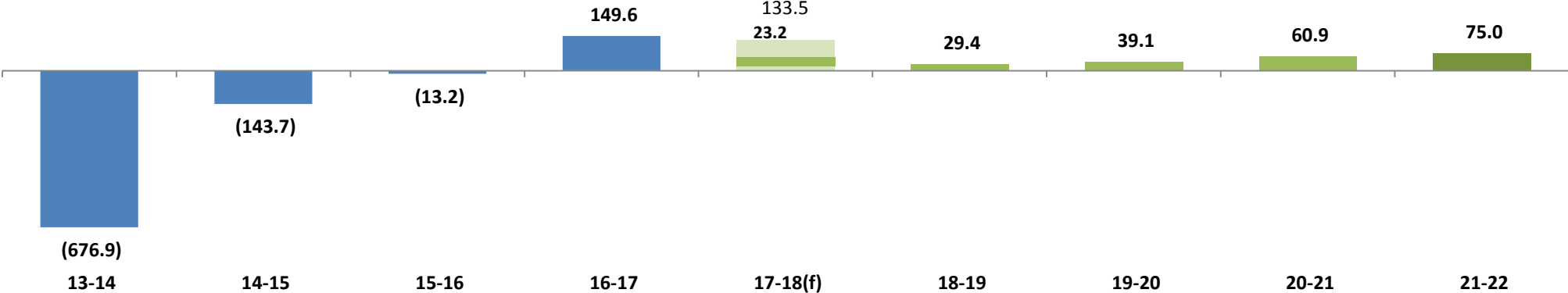
Prior Year Adjustments (PYAs) for open taxation years

Four Year Fiscal Plan

(\$ millions)	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
General Revenue Fund						
Revenue						
Ordinary Revenue	9,485.5	9,656.2	9,773.4	9,844.0	10,240.7	10,567.3
Ordinary Recoveries	709.4	696.9	655.5	614.2	618.6	624.0
Net Income Government Business						
Enterprises	378.8	387.5	381.3	400.6	410.2	423.1
Total Revenue	10,573.7	10,740.6	10,810.2	10,858.8	11,269.5	11,614.4
Expenses						
Departmental Expenses	9,505.5	9,658.9	9,693.4	9,790.7	10,233.2	10,582.4
Refundable Tax Credits	125.5	115.2	146.9	144.4	145.1	145.8
Pension Valuation Adjustment	31.2	63.8	128.8	49.3	52.3	56.9
Debt Servicing Costs	850.2	837.7	893.6	864.3	806.6	776.1
	10,512.4	10,675.6	10,862.6	10,848.7	11,237.2	11,561.2
Consolidation and Accounting Adjustments	70.4	68.5	81.9	28.9	28.6	21.7
Provincial Surplus (Deficit)	131.6	133.5	29.4	39.1	60.9	75.0
Contribution to Fiscal Capacity for Provincial Health Complex	(110.3)	(110.3)	-	-	-	-
Net Position (After Contribution)	21.3	23.2	29.4	39.1	60.9	75.0
Net Debt	15,060	15,051	15,171	15,272	15,491	15,527
Nominal GDP	42,456	43,099	44,329	45,604	47,224	48,406
Debt to GDP Ratio	35.5%	34.9%	34.2%	33.5%	32.8%	32.1%

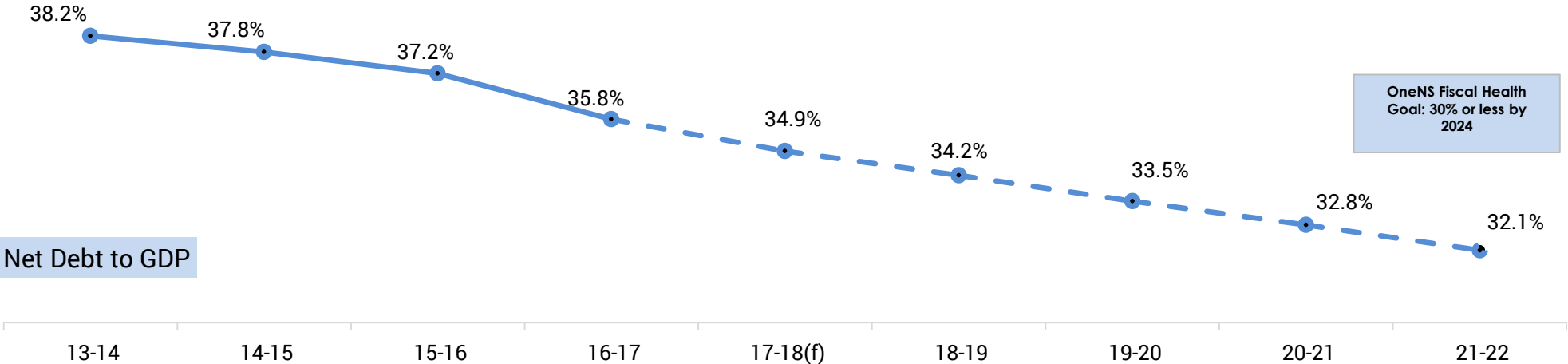
Fiscal Plan

Nova Scotia's Fiscal Plan is balanced throughout the four year fiscal plan, with modest surpluses



Net Debt

Net Debt to GDP ratio decreases over fiscal plan, on target to meet One NS goal of 30% by 2024



Thank You

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

novascotia.ca/budget