

Budget 2017-2018

Opportunities for Growth



Overview

Investing in a strong Nova Scotia

- Improving fiscal health with two balanced budgets in a row

Significant and strategic investments

- All initiatives from April, and more investments in health care, education and economic development

Opportunity for all Nova Scotians

- Spread benefits to as many people as possible

Government's 2017-2018 priorities:

- Healthy People & Communities
- Youth & Jobs
- New Ideas for a Better Economy
- Infrastructure
- Support for an Aging Population

Budget 2017-2018:

- Reduces provincial income taxes for 500,000 Nova Scotians; 63,000 more Nova Scotians will 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
- Invests \$4.5 million to provide free pre-primary programming in 52 classes at 45 sites across the province
- Provides \$10 million for new initiatives identified by the Council to Improve Classroom Conditions
 - \$9.3 million to implement class caps for grades 7-12 and hire teachers for junior high literacy and math support; remainder for grants to schools
- Invests \$2.4 million to support recruitment and retention of doctors
 - 10 new seats in the Dalhousie Family Medicine Residency program – 28% increase
 - 10 spaces for a new practice-ready assessment program for doctors trained internationally

Budget 2017-2018

- Surplus of \$131.6 million, with a net position of \$21.3 million
 - Difference is \$110.3 million associated with Convention Centre
 - Contribution to fiscal capacity for QEII Health Sciences Centre
- Total Revenue is \$10.6 billion, Total Expenses are \$10.5 billion
- Total Revenue is up by \$309.4 million (3.0%) from last year
 - Includes impact of tax reductions which lowers revenue
- Total Expenses up by \$366.8 million (3.6%) from last year

Budget 2017-2018

(\$thousands)

	Estimate 2016-2017	Estimate 2017-2018	Variance
General Revenue Fund			
Total Revenue	10,264,252	10,573,661	309,409
Expenses			
Departmental Expenses	9,100,049	9,505,542	405,493
Refundable Tax Credits	137,602	125,472	(12,130)
Pension Valuation Adjustment	66,251	31,214	(35,037)
Debt Servicing Costs	841,712	850,214	8,502
Total Expense	10,145,614	10,512,442	366,828
Consolidation and Accounting Adjustments	8,773	70,391	61,618
Provincial Surplus (Deficit)	127,411	131,610	4,199
Less: Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	(110,300)	
Net Position	17,111	21,310	4,199

Budget 2017-2018: September 26, 2017

- also September 2017-2018 Forecast Update
- 2016-2017 Forecast Update is 2016-2017 Public Accounts released July 2017 (“Actual”)

Changes Between April & September Budgets

- \$13.1 million decrease in revenues
 - Updated economic outlook and new tax data
- \$19.1 million increase in departmental expenses
 - For both new and expansion of current initiatives
- \$22.9 million decrease in pension valuation allowance (PVA)
 - Estimates revised from actuarial assessments used in the 2016-17 Public Accounts
- \$4.7 million positive adjustment in consolidation and accounting adjustments
- \$4.6 million reduction in net position to \$21.3 million from \$25.9 million

Changes Between April & September Budgets

(\$thousands)

	Estimate 2017-2018 April	Estimate 2017-2018 September	Variance
General Revenue Fund			
Total Revenue	10,586,745	10,573,661	(13,084)
Expenses			
Departmental Expenses	9,486,472	9,505,542	19,070
Refundable Tax Credits	125,472	125,472	
Pension Valuation Adjustment	54,115	31,214	(22,901)
Debt Servicing Costs	850,214	850,214	
Total Expense	10,516,273	10,512,442	(3,831)
Consolidation and Accounting Adjustments	65,705	70,391	4,686
Provincial Surplus (Deficit)	136,177	131,610	(4,567)
Less: Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	(110,300)	
Net Position	25,877	21,310	(4,567)

Departmental Expense Increases

Health and Wellness

- \$2.7 million additional investment for orthopedic surgeries and supports
- \$1.8 million investment in youth mental health
- \$0.8 million for a new Take Home Cancer Therapies program
- \$0.8 million for the Opioid Use and Overdose Framework

Education and Early Childhood Development

- \$0.8 million increase for pre-primary programming
- \$0.2 million in funding to Cape Breton Victoria Regional School Board for additional mental health support

Departmental Expense Increases

Fisheries and Aquaculture

- \$2.5 million contribution to the Atlantic Fisheries Fund

Justice

- \$0.2 million to support the National Inquiry on Murdered and Missing Indigenous Women and Girls

Departmental Expense Increases

Business

- \$4.7 million increase in capital grants to Waterfront Development Corporation for Queen's Marque site preparation

Assistance to Universities

- \$3.5 million increase in Acadia University grant funding
- \$1.0 million increase in Cape Breton University grant funding

Departmental Expense Transfers

- \$19.8 million transferred from Agriculture to Assistance to Universities – Dalhousie Agriculture College Funding
- \$10.9 million transferred from Restructuring to Elections NS – General Election costs
- \$0.1 million transferred from Fisheries and Aquaculture to Justice – Associate Deputy Minister position

Departmental Expense Changes (\$ thousands)

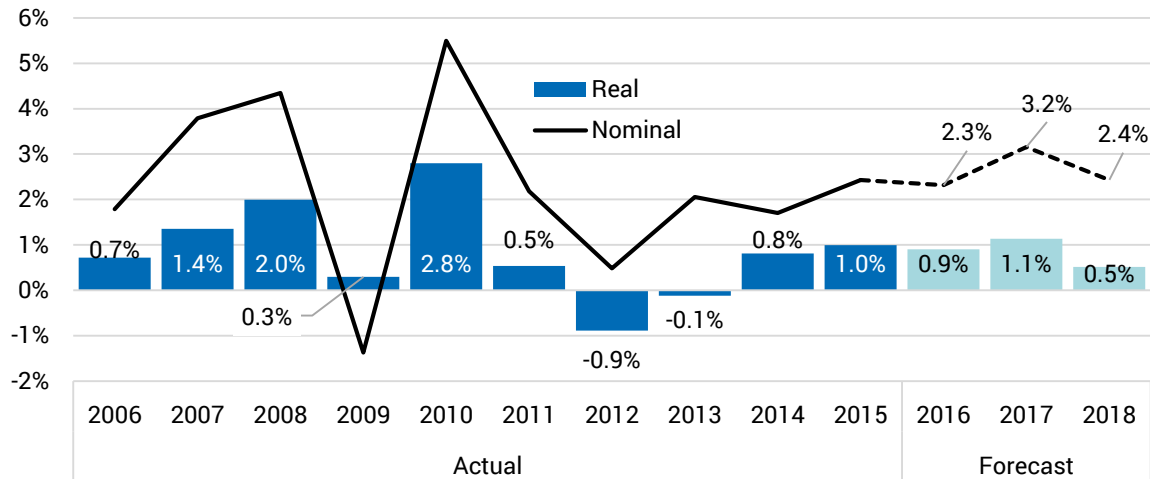
Department/Office	Estimate 2017-2018 as at April 27, 2017	Estimate 2017-2018 as at September 26, 2017	Change Increase/ (Decrease)
Agriculture	61,768	41,992	(19,776)
Business	191,451	196,137	4,686
Communities, Culture and Heritage	84,295	84,295	---
Community Services	949,621	949,621	---
Education and Early Childhood Development	1,316,715	1,317,657	942
Energy	29,004	29,004	---
Environment	37,239	37,239	---
Finance and Treasury Board	23,100	23,100	---
Fisheries and Aquaculture	12,660	15,062	2,402
Health and Wellness	4,207,969	4,214,153	6,184
Internal Services	189,091	189,091	---
Justice	340,355	340,711	356
Labour and Advanced Education	376,151	376,151	---
Assistance to Universities	408,803	433,079	24,276
Municipal Affairs	332,423	332,423	---
Natural Resources	77,178	77,178	---
Public Service	206,208	217,153	10,945
Seniors	2,301	2,301	---
Transportation and Infrastructure Renewal	465,774	465,774	---
Restructuring	174,366	163,421	(10,945)
Total	9,486,472	9,505,542	19,070

Revenue Changes (\$thousands)

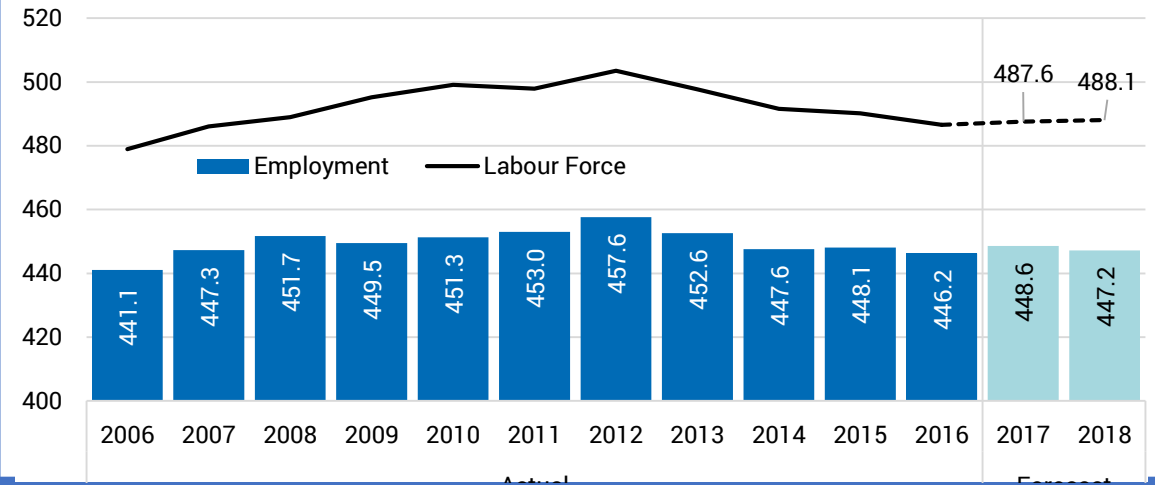
	April Estimate 2017-2018	September Estimate 2017-2018	Variance	% Change
Personal Income Tax	2,738,392	2,710,594	(27,798)	-1.0%
Corporate Income Tax	505,975	506,627	652	0.1%
Harmonized Sales Tax	1,804,227	1,829,442	25,215	1.4%
Motive Fuel Tax	269,829	266,655	(3,174)	-1.2%
Tobacco Tax	227,774	220,119	(7,655)	-3.4%
Other taxes	162,456	160,416	(2,040)	-1.3%
Other Provincial Revenue	594,275	595,808	1,533	0.3%
Federal Sources	3,195,674	3,195,857	183	0.0%
Ordinary Recoveries	709,389	709,389	---	0.0%
Net Income from Government Business Enterprises	378,754	378,754	---	0.0%
Total Revenue	10,586,745	10,573,661	(13,084)	3.0%

Economic Outlook 2017 & 2018: overall similar to April

Stable real GDP growth, nominal GDP growth increasing



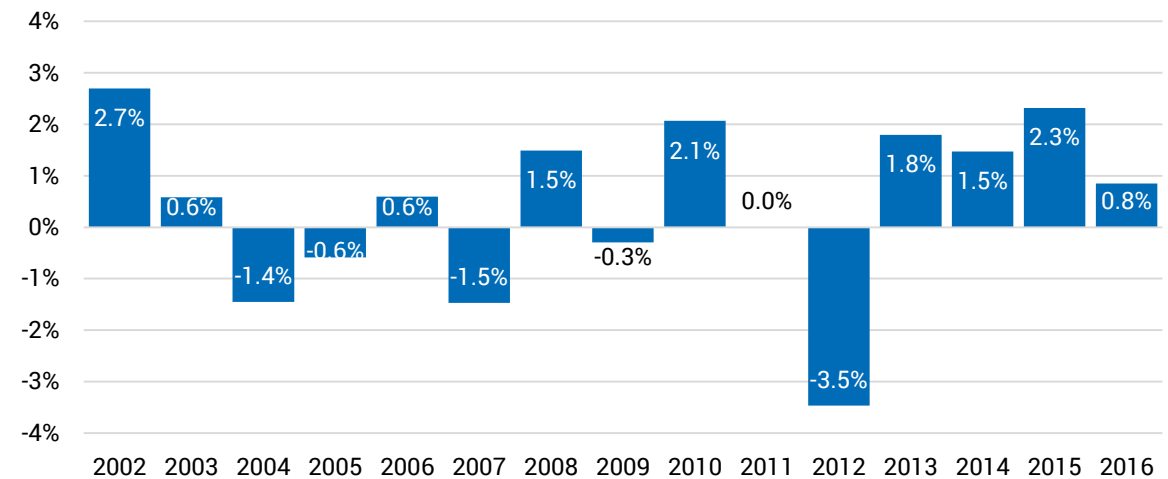
Stable labour force and employment



Steady growth for exports



Productivity gains keep economy growing



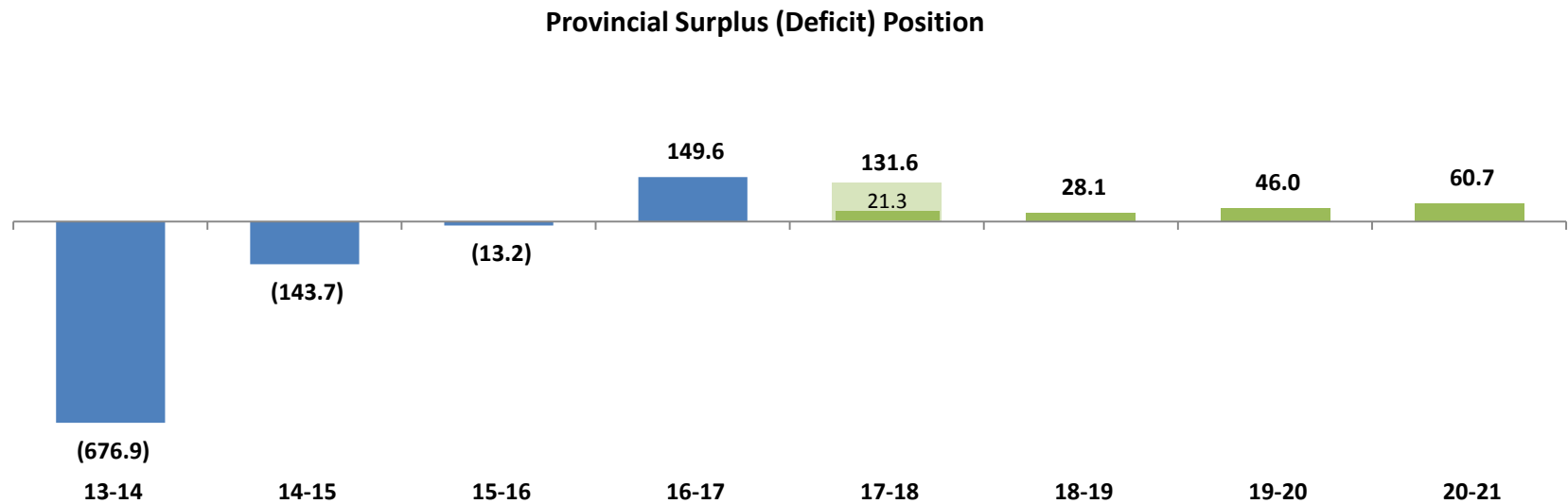
Key Risks and Uncertainties

- Policy changes by major trading partners (e.g. NAFTA, Brexit, China)
- Sustaining current pace of faster economic growth in Canada, US
- Increasing interest rates raising cost of household debt and provincial debt-servicing
- Rising operating costs beyond what is included in the fiscal plan
- Personal Income Tax revenue is sensitive to yield growth
- NS corporate taxes dependent on share of national taxable income
- Changes in 2017 residential or consumer spending could affect HST

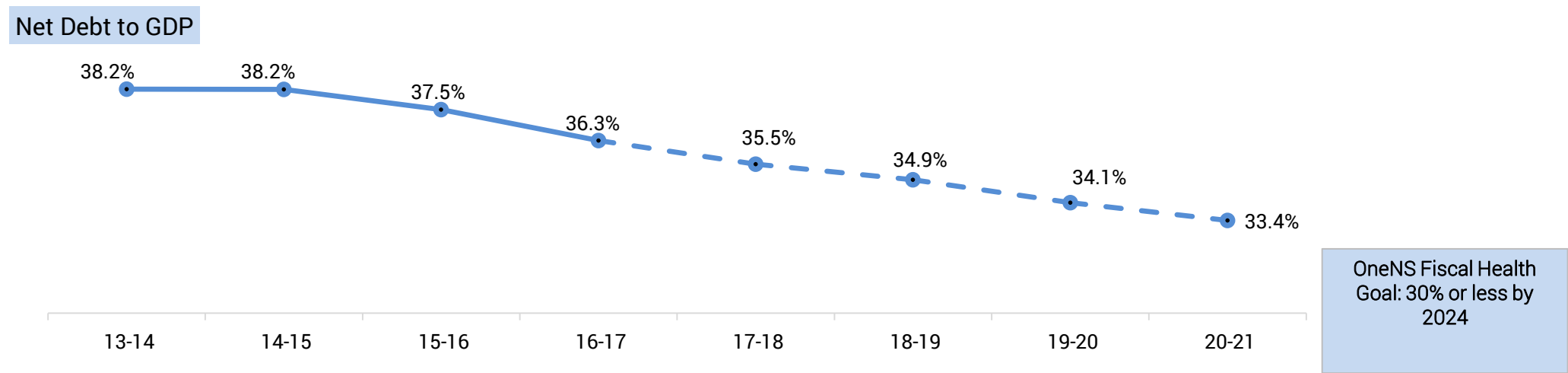
Four Year Fiscal Plan (\$millions)

	2016-2017 Estimate	2016-2017 Actual	2017-2018 Estimate	2018-2019 Estimate	2019-2020 Estimate	2020-2021 Estimate
General Revenue Fund						
Revenue						
Ordinary Revenue	9,329.5	9,185.5	9,485.5	9,579.2	9,736.2	10,042.9
Ordinary Recoveries	552.5	627.9	709.4	571.6	555.9	556.1
Net Income Government Business Enterprises	382.2	394.6	378.8	374.6	376.5	382.7
Total Revenue	10,264.3	10,208.0	10,573.7	10,525.4	10,668.6	10,981.7
Expenses						
Departmental Expenses	9,100.0	9,111.6	9,505.5	9,506.7	9,637.7	9,972.6
Refundable Tax Credits	137.6	133.7	125.5	126.7	132.4	133.0
Pension Valuation Adjustment	66.3	17.2	31.2	34.4	42.4	44.7
Debt Servicing Costs	841.7	823.8	850.2	872.6	845.1	786.2
	10,145.6	10,086.3	10,512.4	10,540.5	10,657.6	10,936.4
Consolidation and Accounting Adjustments	8.8	27.8	70.4	43.2	34.9	15.4
Provincial Surplus (Deficit)	127.4	149.6	131.6	28.1	46.0	60.7
Contribution to Fiscal Capacity for Provincial Health Complex	(110.3)	-	(110.3)	-	-	-
Net Position (After Contribution)	17.1	149.6	21.3	28.1	46.0	60.7
Net Debt	15,189	14,955	15,060	15,178	15,268	15,485
Nominal GDP	40,902	41,157	42,456	43,488	44,829	46,359
Debt to GDP Ratio	37.1%	36.3%	35.5%	34.9%	34.1%	33.4%

Fiscal Plan: balanced with modest surpluses



Net Debt to GDP: improving and on target to meet One NS Goal



Appendix - Comprehensive Summary

Items from both April and September budgets combined

Items which include September initiatives in blue

Tax Reductions

Increase in Basic Personal Amount (BPA) and other credits

- From January 1, 2018 BPA will increase by \$3,000 to \$11,481 from \$8,481 for people with taxable income under \$75,000
- \$35.4% enhancement, estimated cost of \$21.7 million for 2017-2018 (3 months), with annual cost of \$85 million
- People with taxable income under \$25,000 will get the full benefit
- Above \$25,000 benefit decreases and no increase above \$75,000
- **Age Amount** for low income seniors will also increase by \$35.4% to \$5,606 from \$4,141
- Maximum deduction for **Spousal and Eligible Dependent Amounts** increases by \$3,000 to \$11,481
- Taxes reduced for more than 500,000 people and 63,000 will no longer pay provincial tax

Tax Reductions

Increase in Small Business Threshold

- From January 1, 2017 small business threshold for the small business tax rate of 3%, is increased from \$350,000 to \$500,000
- Benefits more than 1,800 small businesses and estimated cost is \$14.1 million

Motive Fuel Tax Exemption for Mining and Quarrying

- From April 1, 2017, exemption for equipment used in the mining and quarrying industries
- Estimated cost of \$1.6 million in 2017-2018

Revenue – Total (\$thousands)

	Estimate 2016-2017	Estimate 2017-2018	Variance	% Change
Personal Income Tax	2,671,599	2,710,594	38,995	1.5%
Corporate Income Tax	466,644	506,627	39,983	8.6%
Harmonized Sales Tax	1,814,007	1,829,442	15,435	0.9%
Motive Fuel Tax	271,718	266,655	(5,063)	-1.9%
Tobacco Tax	227,252	220,119	(7,133)	-3.1%
Other taxes	158,745	160,416	1,671	1.1%
Other Provincial Revenue	575,617	595,808	20,191	3.5%
Federal Sources	3,143,913	3,195,857	51,944	1.7%
Ordinary Recoveries	552,529	709,389	156,860	28.4%
Net Income from Government Business Enterprises	382,228	378,754	(3,474)	-0.9%
Total Revenue	10,264,252	10,573,661	309,409	3.0%

Departmental Expenses – Total (\$ thousands)

Department / Public Service Office	Estimate 2016-2017	Estimate 2017-2018	Chg in 17/18 Est from 16/17 Est (\$)	Chg in 17/18 Est from 16/17 Est (%)
Agriculture	60,217	41,992	(18,225)	-30.3%
Business	137,450	196,137	58,687	42.7%
Communities, Culture and Heritage	81,689	84,295	2,606	3.2%
Community Services	929,957	949,621	19,664	2.1%
Education and Early Childhood Development	1,279,532	1,317,657	38,125	3.0%
Energy	29,597	29,004	(593)	-2.0%
Environment	36,800	37,239	439	1.2%
Finance and Treasury Board	22,782	23,100	318	1.4%
Fisheries and Aquaculture	12,464	15,062	2,598	20.8%
Health and Wellness	4,132,209	4,214,153	81,944	2.0%
Internal Services	185,447	189,091	3,644	2.0%
Justice	330,388	340,711	10,323	3.1%
Labour and Advanced Education	364,271	376,151	11,880	3.3%
Assistance to Universities	380,605	433,079	52,474	13.8%
Municipal Affairs	184,383	332,423	148,040	80.3%
Natural Resources	76,487	77,178	691	0.9%
Public Service	205,869	217,153	11,284	5.5%
Seniors	1,598	2,301	703	44.0%
Transportation and Infrastructure Renewal	460,766	465,774	5,008	1.1%
SUBTOTAL	8,912,511	9,342,121	429,610	4.8%
Restructuring	187,538	163,421	(24,117)	-12.9%
TOTAL	9,100,049	9,505,542	405,493	4.5%

Opportunities for Growth

❖ Infrastructure:

- \$40.0 million for municipal clean water and waste water
- \$3.2 million for post-secondary infrastructure
- \$2.1 million for Sydney Second Berth (cruise and tourism growth)
- \$25.3 million in capital grants for QEII Redevelopment (various facilities)
- \$13.2 million in TCA funding for NSCC – Trades Innovation Centre at Pictou Campus and renovation at Lunenburg Campus
- \$10.7 million investment in the Centre for Ocean Ventures Entrepreneurship (COVE)
- \$10.0 million in annual TCA funding for new gravel road program
- \$2.0 million in TCA funding for new Skilled Trades Centres at high schools

Opportunities for Growth

❖ Youth and Jobs:

- \$4.5 million for pre-Primary for 4-year olds at 45 additional sites
- \$10.0 million funding for the Council to Improve Classroom Conditions
- \$3.4 million to enhance Nova Scotia Student Assistance program
- \$2.0 million to increase the Apprenticeship START program
- \$1.8 million for employment support programs for youth-at-risk
- \$1.7 million to enhance Graduate to Opportunity program
- \$1.7 million for the New Innovate to Opportunity program
- \$1.3 million for the Apprenticeship Tuition coverage for technical training
- \$1.1 million to expand the Reading Recovery program to more schools
- \$1.1 million to expand breakfast programming to all schools
- \$1.0 million for additional coding resources in schools
- \$4.5 million for increased grant funding to Acadia University and Cape Breton University

Opportunities for Growth

❖ New Ideas for a Better Economy:

- \$8.5 million increase for rural high-speed Internet funding (\$14.5 million, total)
- \$1.5 million for business start-ups and other innovation initiatives
- \$500 thousand directed to small business development program to support export growth (\$1.0 million, total)
- \$1.3 million for more export and trade opportunities for Nova Scotia businesses
- \$12.8 million increase to Nova Scotia Film Industry (\$22.8 million, total)
- \$2.9 million Strategic Investment Fund
- \$1.6 million Cap and Trade program
- \$2.5 million to support the Atlantic Fisheries Fund
- \$1.4 million AgriStability: Growing Forward 2
- \$7.8 million for Queen's Marquee development

Opportunities for Growth

❖ **Support for an Aging Population:**

- \$5.1 million in additional investment in Home Care, including self-managed care and caregiver benefit programs
- \$7.9 million for Seniors' Pharmacare
- \$3.2 million to increase food budgets and enhance recreational programming for residents in long term care facilities
- \$395 thousand to establish a social innovation lab focused on aging
- \$310 thousand additional funding for seniors property tax rebate

Opportunities for Growth

❖ Healthy People and Communities:

- \$6.0 million to advance collaborative care teams; builds on \$3.6 million previously announced
- \$5.1 million in additional investment in Home Care, including self-managed care and caregiver benefit programs
- \$6.4 million for more orthopedic surgeries and prehabilitation services
- \$2.4 million to recruit up to 20 additional doctors annually (10 more residency spaces for family doctors; 10 spaces for new practice-ready assessment program)
- \$5.8 million new investment in mental health and addictions initiatives, including \$1.8 million targeted specifically towards youth mental health
- \$10.7 million increase for Seniors' and Family Pharmacare
- \$3.5 million in capital grants to advance development of satellite dialysis units
- \$3.2 million to increase food budgets and enhance recreational programming for residents in long term care facilities
- \$2.0 million to create and initiate a plan to address poverty
- \$800 thousand to Autism NS and Regional Centres
- \$800 thousand for new Take Home Cancer Therapies program

Opportunities for Growth

❖ Healthy People and Communities (continued):

- \$2.0 million in additional resources for children's mental health and student support services (with most funding going to expand SchoolsPlus programs)
- \$1.4 million in additional funding for school psychologists and speech language pathologists
- \$1.8 million to support people with disabilities to live independently in community and expand day programs
- \$2.1 million to open more small option homes for people with disabilities
- \$1.8 million ACCESS-ability grants for community buildings and small businesses
- \$1.2 million to help foster parents meet day-to-day needs
- \$1.1 million to continue programs to address sexual violence
- \$1.0 million for a new grant program to better connect recreational trail systems

Tangible Capital Assets (\$ thousands)

Project Type	Estimate 2017-18
Highways & Structures ¹	227,470
Buildings	134,951
Buildings - Halifax Convention Centre	169,200
Information Technology	19,927
Land Purchases	2,500
Vehicles and Equipment	19,699
Contingency ¹	19,837
Total Departmental TCA	593,584
Capital Grants ^{1,2}	90,616
Total Capital Spending	684,200

1) The total Capital Estimate is unchanged from the January 2017 Capital Plan, however:

- \$10 million has been re-allocated from the General Contingency to Highways and Structures for a new Gravel Road program; and
- \$4.7 million has been re-allocated from the General Contingency to Capital Grants for Queen's Marque

2) Total spending includes Capital Grants that are in the expenses of the Departments of Health and Wellness and Business.

2016-2017 Final Results

(\$thousands)

	Estimate 2016-2017	Actual 2016-2017	Variance
General Revenue Fund			
Total Revenue	10,264,252	10,208,007	(56,245)
Expenses			
Departmental Expenses	9,100,049	9,111,597	11,548
Refundable Tax Credits	137,602	133,738	(3,864)
Pension Valuation Adjustment	66,251	17,191	(49,060)
Debt Servicing Costs	841,712	823,759	(17,953)
Total Expense	10,145,614	10,086,285	(59,329)
Consolidation and Accounting Adjustments	8,773	27,842	19,069
Provincial Surplus (Deficit)	127,411	149,564	22,153
Less: Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	-	110,300
Net Position	17,111	149,564	132,453

Thank You

All documents will be available electronically when the Minister rises to begin her speech

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