

Budget 2016-2017

April 19, 2016

*Working together for a stronger
Nova Scotia*



Overview

Budget is in balance
Fiscal plan is on course

Improving fiscal health
provides opportunities
for strategic investments

Province still vulnerable
to economic events and
other factors outside our
control

Government's 2016-2017
priorities are:

- ❖ Opportunities for growth
- ❖ Investing in youth, education and jobs training
- ❖ Supporting Nova Scotians who need it most
- ❖ Healthy People, Healthy Economy
- ❖ Responsible Fiscal Management

2015-2016 Final Forecast: Last Year's Budget

(\$ thousands)	Estimate 2015-2016	Forecast 2015-2016	Variance
General Revenue Fund			
Total Revenue	9,920,008	9,893,129	(26,879)
Expenses			
Departmental Expenses	8,910,013	8,850,456	(59,557)
Refundable Tax Credits	150,968	120,658	(30,310)
Pension Valuation Adjustment	90,654	129,898	39,244
Debt Servicing Costs	872,612	854,711	(17,901)
Total Expense	10,024,247	9,955,723	(68,524)
Consolidation and Accounting Adjustments	6,664	(8,612)	(15,276)
Provincial Surplus (Deficit)	(97,575)	(71,206)	26,369

2015-2016 Forecast

Deficit for 2015–2016 forecasted to be \$71.2 million

- \$26.4 million (27.0%) lower than the original budget estimate of \$96.6 million

Total Revenue down \$26.9 million or 0.3% from Budget

- Net negative prior-year adjustments of \$83.0 million
- Improvements in net income from Government Business Enterprises

Total Expenses down \$68.5 million or 0.7% from Budget

- Departmental expenses were down by \$59.6 million (0.7%)

Convention Centre Revenue - \$110.3M

Province has one-time revenue of \$110.3 million in 2016-2017

- federal and municipal capital contributions towards building the Centre

Completion date February 2017: Province must recognize this revenue in 2016-2017 as required by PSAB

OAG reviewed revenue estimates, and agreed that:

- assumptions used provide a reasonable basis for the 2016-17 revenue estimates and comply with standards set out in CPA Canada Handbook – Accounting

Province is not spending \$110.3 million. We are applying it to the debt to create fiscal capacity for a multi-year redevelopment of the QEII Health Sciences Centre

Surplus is \$127.4 million, net position is \$17.1 million

2016-2017 Provincial Budget

(\$ thousands)	Estimate 2015-2016	Estimate 2016-2017	Variance
General Revenue Fund			
Total Revenue	9,920,008	10,264,252	344,244
Expenses			
Departmental Expenses	8,910,013	9,100,049	190,036
Refundable Tax Credits	150,968	137,602	(13,366)
Pension Valuation Adjustment	90,654	66,251	(24,403)
Debt Servicing Costs	872,612	841,712	(30,900)
Total Expense	10,024,247	10,145,614	121,367
Consolidation and Accounting Adjustments	6,664	8,773	2,109
Provincial Surplus (Deficit)	(97,575)	127,411	224,986
Contribution to Fiscal Capacity for Provincial Health Complex	-	(110,300)	-
Net Position	(97,575)	17,111	114,686

Overview: 2016-2017 Budget Estimate

Surplus of \$127.4 million, with a net position of \$17.1 million

- The difference is \$110.3 million, after future fiscal capacity for a multi-year redevelopment of the QEII Health Sciences Centre

Total Revenue up by \$344.2 million, up 3.5% from last year

Total Expenses up \$121.4 million, a 1.2% increase from last year

- Departmental expenses are \$9.1 billion, up \$ 190 million or 2.1% from last year

New Investments

❖ Opportunities for Growth:

- Investment in infrastructure – New Building Canada Fund: National, Regional and Small Communities Fund - \$12.7 million
- Investment in the Nova Scotia to Portland Ferry Service - \$10.2 million
- Nova Scotia Film & TV Production Incentive Fund - \$10.0 million
- Investment in provincial high-speed internet service - \$6.0 million
- Investment in vineyards and wineries - \$3.5 million
- Aquaculture Growth Strategy - \$2.8 million
- Creative Economy - \$2.5 million
- Canada 150 events - \$2.0 million
- Support refugees and immigration streams in the Nominee Program and Community Refugee support initiative - \$942 thousand
- Sport and cultural events - \$500 thousand

New Investments

❖ Investing in Youth, Education and Job Training:

- Nova Scotia's Action Plan for Education - \$21.0 million
 - Elementary class cap sizes extended up to grade 6 - \$6.4 million
 - Literacy Strategy - \$3.8 million
 - Math strategy - \$2.5 million
 - Early intervention for support in Math - \$1.4 million
 - P-3 language arts - \$1.2 million
 - Creative streamlined curriculum - \$800 thousand
 - Other initiatives - \$4.9 million
- Investments in Early Years – subsidized daycare spaces for families, daycare wage grants and inclusive programming grants - \$6.6 million
- Increased investment in Graduate to Opportunity program - \$1.6 million
- Expanded investment in the Graduate Scholarships for Research and Innovation - \$1.0 million
- Expand funding for four new Schools Plus sites - \$500 thousand

New Investments

❖ **Supporting Nova Scotians Who Need It Most:**

- Increased investments in the Disability Support Program including support for transition from facility based care to community based care – \$12.9 million
- Employment Support and Income Assistance – up to \$20 per month increase to the personal use allowance - \$7.5 million
- Additional investment in the Maintenance of Children program - \$5.4 million
- Expanded investment in the Early Intensive Behavioral Intervention (EIBI) program - \$3.6 million

New Investments

❖ **Healthy People, Healthy Economy**

- Additional investment in Home Care services, including home support and nursing - \$14.4 million
- Investment in the Personal Health Record project with Canada Health Infoway - \$4.3 million
- Investment in the re-design of the Victoria General Hospital and design and renovation of Dartmouth General Hospital - \$3.7 million in Health and Wellness capital grants
- Increased support for Seniors' Pharmacare - \$3.0 million
- Expanded funding to support orthopedic wait times - \$1.9 million

Departmental Expenses (\$ thousands)

Department / Public Service Office	Estimate 2015-2016	Estimate 2016-2017	Chg in 15/16 Est. to 16/17 Est.	Chg in 15/16 Est. to 16/17 Est.
Agriculture	61,536	60,217	(1,319)	-2.1%
Business	114,143	137,450	23,307	20.4%
Communities, Culture and Heritage	61,837	81,689	19,852	32.1%
Community Services	915,410	929,957	14,547	1.6%
Education and Early Childhood Development	1,244,607	1,279,532	34,925	2.8%
Energy	30,160	29,597	(563)	-1.9%
Environment	25,343	36,800	11,457	45.2%
Finance and Treasury Board	14,415	22,782	8,367	58.0%
Fisheries and Aquaculture	9,883	12,464	2,581	26.1%
Health and Wellness	4,137,741	4,132,209	(5,532)	-0.1%
Internal Services	180,300	185,447	5,147	2.9%
Justice	327,593	330,388	2,795	0.9%
Labour and Advanced Education	362,931	364,271	1,340	0.4%
Assistance to Universities	376,084	380,605	4,521	1.2%
Municipal Affairs	167,474	184,383	16,909	10.1%
Natural Resources	82,983	76,487	(6,496)	-7.8%
Public Service	200,947	205,869	4,922	2.4%
Seniors	1,496	1,598	102	6.8%
Transportation and Infrastructure Renewal	419,277	460,766	41,489	9.9%
SUBTOTAL	8,734,160	8,912,511	178,351	2.0%
Restructuring	175,853	187,538	11,685	6.6%
TOTAL	8,910,013	9,100,049	190,036	2.1%

Note: Year over year variances include transfers between departments as well as transfers to/from the Health Authorities.

Significant FTE Adjustments

- 240.0 FTEs - transferred from the Health Authorities to Internal Services, IT Shared Services
- 6.0 FTEs - additional FTEs related to the Office of Immigration Nominee program
- (36.0 FTEs) - reduction due to transfer from the Department of Health and Wellness to the Health Authorities, as part of the department redesign
- (30.9 FTEs) - net reduction, Department of Health and Wellness as part of the department redesign

In summary, the total civil service FTEs reflect an operational decrease of 60.7 FTEs, offset by a net transfer in of 204.0 FTEs to/from the Health Authorities; resulting in a net change of 143 FTEs.

Significant Transfers

- Transportation and Infrastructure Renewal: Public Works transferred from Internal Services (\$31.3 million and 138.4 FTEs)
- Internal Services: IT Shared services transferred from the Nova Scotia Health Authority and IWK (\$29.5 million and 240 FTEs)
- Communities, Culture and Heritage: Communities, Sport and Recreation transferred from Health and Wellness - Active Living (\$11.8 million and 23.7 FTEs)
- Environment: Inspection, Compliance and Enforcement Consolidation Compliance transferred from Agriculture, Health and Wellness, Natural Resources and Fisheries and Aquaculture (\$11.7 million and 120.9 FTEs)
- Finance and Treasury Board: Financial Services Advisory transferred from various departments (\$9.6 million and 107.5 FTEs)

Note: Transfers between departments have a net zero impact to the total overall departmental expenses.

Significant Structural Reporting Changes

- Health and Wellness – department redesign (net reduction of 30.9 FTEs and \$2.5 million)
- Regulatory Affairs and Service Effectiveness - established in April 2016, presented under the Public Service in 2016-17 (formerly presented under the Department of Business, 8 FTEs and \$1.7 million)
- Home for Colored Children Public Inquiry – established in July 2015, presented under the Public Service in 2016-17 - \$2.5 million

Departmental FTEs

<u>Department / Public Service Office</u>	<u>Estimate 2015-2016</u>	<u>Estimate 2016-2017</u>	<u>Chg in 15/16 Est. to 16/17 Est.</u>	<u>Chg in 15/16 Est. to 16/17 Est.</u>
Agriculture	212.2	168.6	(43.6)	-20.5%
Business	36.0	28.0	(8.0)	-22.2%
Communities, Culture and Heritage	220.6	244.3	23.7	10.7%
Community Services	1,646.5	1,630.5	(16.0)	-1.0%
Education and Early Childhood Development	211.8	200.8	(11.0)	-5.2%
Energy	57.2	56.5	(0.7)	-1.2%
Environment	237.9	354.8	116.9	49.1%
Finance and Treasury Board	108.7	206.9	98.2	90.3%
Fisheries and Aquaculture	75.7	70.7	(5.0)	-6.6%
Health and Wellness	429.7	297.4	(132.3)	-30.8%
Internal Services	877.8	973.4	95.6	10.9%
Justice	1,607.4	1,596.7	(10.7)	-0.7%
Labour and Advanced Education	273.4	264.6	(8.8)	-3.2%
Municipal Affairs	72.2	72.2	-	0.0%
Natural Resources	706.0	631.0	(75.0)	-10.6%
Public Service	1,528.6	1,524.2	(4.4)	-0.3%
Seniors	7.0	7.0	-	0.0%
Transportation and Infrastructure Renewal	1,773.8	1,898.2	124.4	7.0%
TOTAL	10,082.5	10,225.8	143.3	1.4%

Note: Year over year variances include transfers between departments as well as transfers to/from the Health Authorities.

Tax Measures

Maintain Amount for Young Children tax credit even though federal taxable Universal Child Care Benefit is ending

- Annualized revenue loss of \$14 million due to UCCB change
- Annualized revenue loss of \$3 million to maintain Young Children tax credit

Increase tobacco tax on cigarettes by 2 cents to 27.52 cents per unit

- Increase tax rate for cigars from 56% to 60% of the suggested retail selling price
- Additional revenue of \$15.8 million in 2016-17, of which \$0.3 million from cigars

Introduce new Food Bank Tax Credit for Farmers

- 25% non-refundable tax credit
- annual revenue loss of \$0.3 million

Parallel federal taxation changes to testamentary trusts - trusts created by wills - as have other provinces (Ontario, BC)

- After 3 years, trusts will be taxed at top marginal personal tax rate rather than at graduated personal tax rates
- Except for trusts where beneficiary eligible for federal disability tax credit
- Puts other types of trusts and testamentary trusts on same basis for taxation
- Additional annual revenue of \$0.8 million

Provincial Tax Revenue

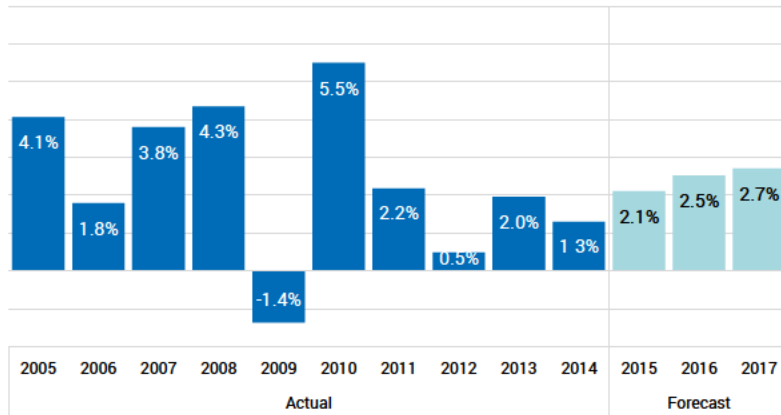
(\$ thousands)	Estimate 2015-2016	Forecast 2015-2016	Estimate 2016-2017	% Change Estimate to Estimate
Tax Revenue				
Personal Income Tax	2,524,962	2,563,526	2,671,599	5.8%
Corporate Income Tax	493,193	451,053	466,644	-5.4%
Harmonized Sales Tax	1,761,253	1,765,779	1,814,007	3.0%
Motive Fuel Tax	262,276	257,816	271,718	3.6%
Tobacco Tax	217,792	215,990	227,252	4.3%
Other taxes	158,855	157,972	158,745	-0.1%
Total Tax Revenue	5,418,331	5,412,136	5,609,965	3.5%

All Revenue Sources

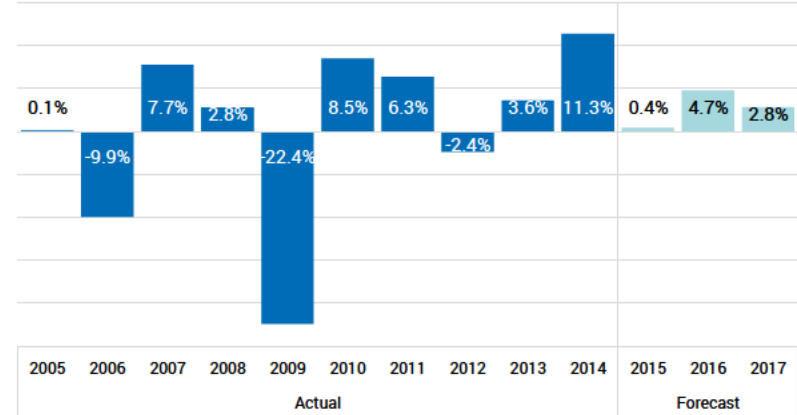
(\$ thousands)	Estimate	Forecast	Estimate	% Change
	2015-2016	2015-2016	2016-2017	Estimate to Estimate
Tax Revenue	5,418,331	5,412,136	5,609,965	3.5%
Other Provincial Revenue	353,889	270,182	406,056	14.7%
Investment Income	178,580	187,393	169,561	-5.1%
Federal Ordinary Revenue	3,085,861	3,093,608	3,143,913	1.9%
Ordinary Recoveries	531,238	550,189	552,529	4.0%
Net Income From Government Business Enterprises	352,109	379,621	382,228	8.6%
Total Revenue	9,920,008	9,893,129	10,264,252	3.5%

Economic Outlook: 2016 and 2017

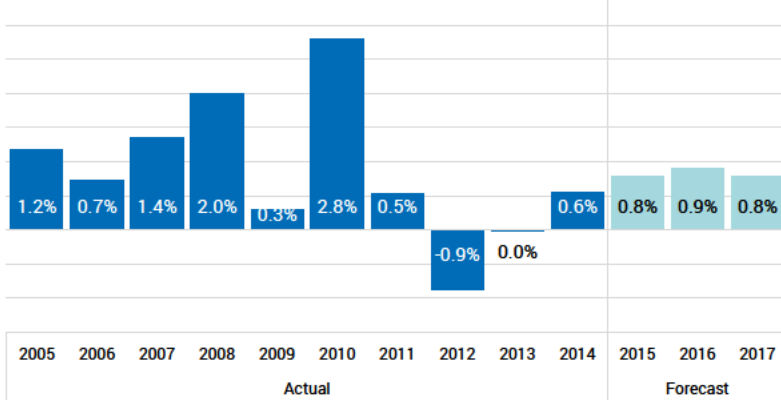
Modest nominal GDP growth as inflation returns



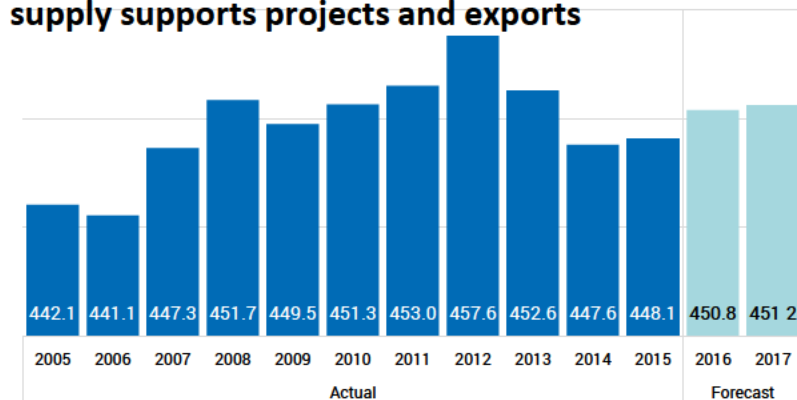
Exports rising from US demand, low exchange rate



Steady real GDP growth from projects and exports



Modest employment growth as rising labour supply supports projects and exports



Key Risks and Uncertainties

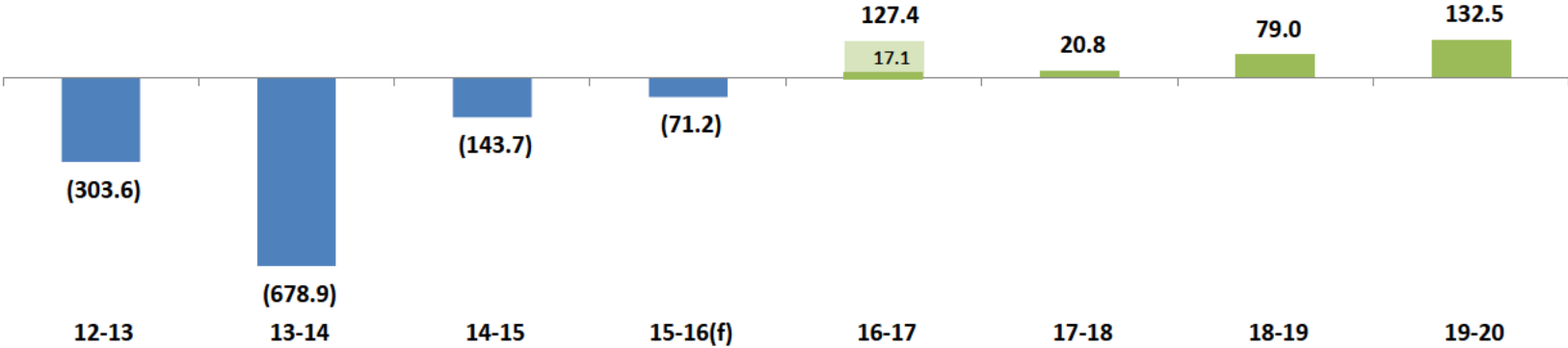
- Rising operating costs beyond what is included in the fiscal plan
- Swings in exchange rates and economic conditions such as oil prices
- Impact of Federal plans not built into this budget
- Lower personal income tax revenue if strong yield growth does not continue
- NS corporate taxes dependent on national taxable income
- If lower consumer spending, will lower HST revenue
- Unsure if further increase offshore decommissioning costs

Four Year Fiscal Plan

(\$ millions)	2016-2017 Estimate	2017-2018 Estimate	2018-2019 Estimate	2019-2020 Estimate
General Revenue Fund				
Revenue				
Ordinary Revenue	9,329.5	9,451.7	9,696.1	9,890.0
Ordinary Recoveries	552.5	544.1	544.3	544.8
Net Income Government Business Enterprises	382.2	377.7	377.0	380.1
Total Revenue	10,264.3	10,373.5	10,617.4	10,814.9
Expenses				
Departmental Expenses	9,100.0	9,317.5	9,491.5	9,656.1
Refundable Tax Credits	137.6	128.5	121.9	119.9
Pension Valuation Adjustment	66.3	59.4	60.5	75.5
Debt Servicing Costs	841.7	853.2	870.5	836.8
	10,145.6	10,358.6	10,544.3	10,688.3
Consolidation and Accounting Adjustments	8.8	5.9	5.9	5.9
Provincial Surplus (Deficit)	127.4	20.8	79.0	132.5
Contribution to Fiscal Capacity for Provincial Health Complex	(110.3)	-	-	-
Net Position	17.1	20.8	79.0	132.5
Net Debt	15,189	15,213	15,175	15,081
Nominal GDP	40,902	42,007	43,226	44,181
Debt to GDP Ratio	37.1%	36.2%	35.1%	34.1%

Fiscal Plan

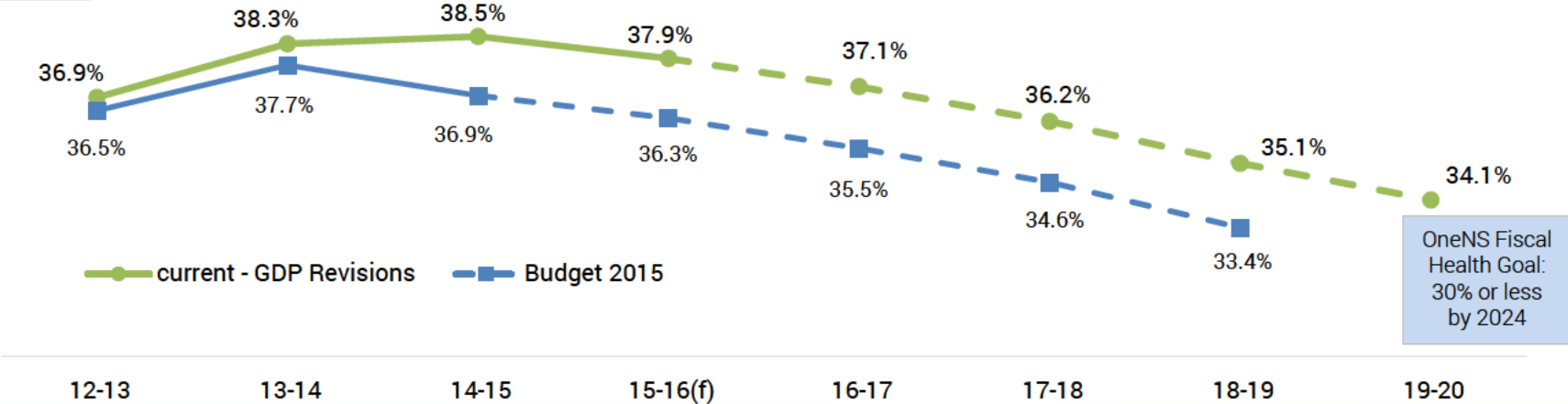
Nova Scotia's Fiscal Plan is balanced throughout the four year fiscal plan



Net Debt

Nova Scotia's Net Debt to GDP ratio decreases throughout the fiscal plan

Net debt to GDP



OneNS Fiscal Health Goal: 30% or less by 2024

