

Budget 2021-22

A Fair and Prosperous Future: Path to Balance

MARCH 25, 2021

Overview

- ▶ Prior to pandemic, Nova Scotia had a growing economy
 - gains in population, lowest unemployment rate
 - capital program with generational investments in health, education and transportation

- ▶ Global pandemic with unprecedented impacts on public health and the economy
 - investments made for the health and safety of Nova Scotians and economic recovery

- ▶ A strong economy allows us to invest in our people, especially those who have not had the same historic opportunities as other Nova Scotians
 - An Economy where Business Can Grow
 - Modernizing Healthcare
 - Environment and Climate Action
 - A Connected, Affordable, Inclusive Nova Scotia

Economic Outlook

Shock from COVID-19 was unlike any other in modern economic history

- ▶ Concentrated in household consumption and local service production
- ▶ Real GDP fell by an estimated 5.3% while nominal GDP declined 4.2%.

Growth	2020	2021	2022
Nominal	-4.2%	6.2%	5.5%
Real	-5.3%	4.6%	3.4%

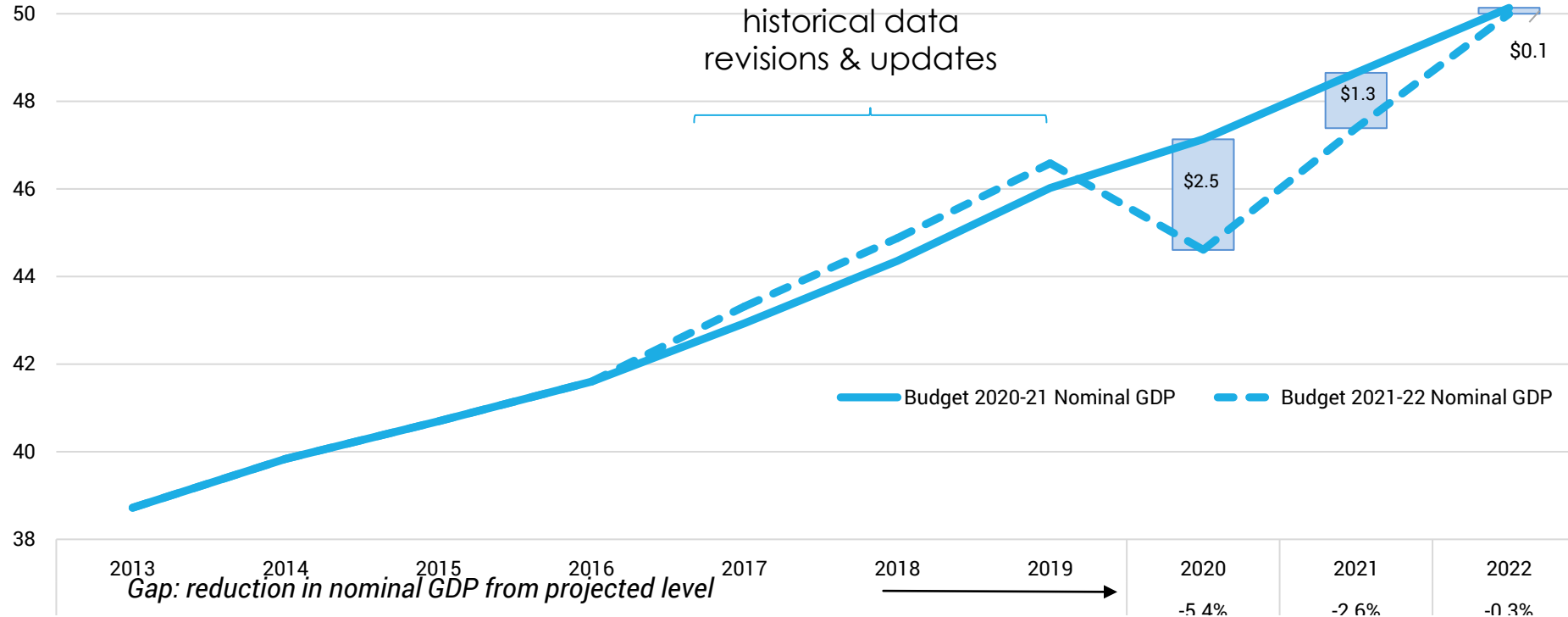
Recovery underway in 2021 and 2022 (included provision for additional restrictions)

- ▶ Employment is close to pre-pandemic levels
- ▶ Rollout of vaccines expected to bring most industries back to normal output in latter part of 2021.
- ▶ Recovery to previous trend continues in 2022.
- ▶ Longer-lasting slowdowns in tourism industries assumed until travel restrictions lifted

Comparison with Budget 2020-21 projections

\$billions at current prices

Projected levels of nominal GDP will recover only in 2022



Last Year's Budget: 2020-21 Forecast Update



Revenues less than budget: \$252.6 million (-2.2%)

- Onset of COVID19 Pandemic significantly impacted revenues
- Overall tax revenue is forecast to be lower by \$651.8 million.



Expenses more than budget: \$547.8 million (4.7%)

- Departmental expenses up by \$570.8 million (5.4%) including \$617.3 in COVID-19 related net operating expenses
- \$23.0 million decrease in other expenses



Provincial deficit: \$705.5 million

- Deficit of \$705.5 million relative to budgeted surplus of \$55.0 million

Forecast 2020-21: Last year's budget

(\$ thousands)

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	<u>Estimate 2020-2021</u>	<u>Forecast 2020-2021</u>	<u>Variance</u>
General Revenue Fund			
Revenues			
Ordinary Revenue	10,538,506	10,270,439	(268,067)
Ordinary Recoveries	666,720	710,798	44,078
Net Income Government Business Enterprises	391,814	363,228	(28,586)
Total Revenue	11,597,040	11,344,465	(252,575)
Expenses			
Departmental Expenses	10,650,274	11,221,108	570,834
Refundable Tax Credits	131,451	123,734	(7,717)
Pension Valuation Adjustment	75,832	76,389	557
Debt Servicing Costs	758,393	742,521	(15,872)
Total Expense	11,615,950	12,163,752	547,802
Consolidation and Accounting Adjustments	73,936	113,777	39,841
Provincial Surplus (Deficit)	55,026	(705,510)	(760,536)

Budget to Forecast 2020-21 – Quick Highlights

- ▶ Overall departmental expenses are up \$570.8M or 5.4% over Budget primarily a result of \$617.3M in COVID-19 related expenses including the following:
 - 148.6M federal safe restart expenses, testing, contact tracing & data management, municipalities, health system capacity and mental health and addictions, vulnerable populations
 - 80.5M in essential workers benefit
 - 69.5M in provincial stimulus funding
 - 50.2M provincial PPE stockpile expenses
 - 35.5M revenue loss at NSHA and IWK
 - 34.9M safe reopening of schools
 - 33.9M workforce development agreement expenses
 - 29.5M health sector backfilling for employees
 - 25.0M university assistance
 - 21.8M child-care sector support grants
 - 21.8M NSHA capital purchases including ventilators and mattresses

Budget 2021-22: Overview

(\$ thousands)

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	<u>Estimate 2020-2021</u>	<u>Estimate 2021-2022</u>	<u>Variance</u>
General Revenue Fund			
Revenues			
Ordinary Revenue	10,538,506	10,696,926	158,420
Ordinary Recoveries	666,720	684,998	18,278
Net Income Government Business Enterprises	391,814	399,896	8,082
Total Revenue	11,597,040	11,781,820	184,780
Expenses			
Departmental Expenses	10,650,274	11,509,399	859,125
Refundable Tax Credits	131,451	144,698	13,247
Pension Valuation Adjustment	75,832	107,833	32,001
Debt Servicing Costs	758,393	710,886	(47,507)
Total Expense	11,615,950	12,472,816	856,866
Consolidation and Accounting Adjustments	73,936	106,051	32,115
Provincial Surplus (Deficit)	55,026	(584,945)	(639,971)

Revenue – Overview

(\$thousands)	Estimate 2020-21	Estimate 2021-22	Variance
Tax Revenue	6,191,370	6,100,854	(90,516)
Personal Income Tax	2,979,575	2,945,359	(34,216)
Corporate Income Tax	541,872	500,223	(41,649)
Harmonized Sales Tax	2,004,070	2,025,505	21,435
Cannabis	7,205	7,756	551
Vaping Tax	2,332	4,305	1,973
Motive Fuel Tax	277,161	238,632	(38,529)
Tobacco Tax	196,501	185,850	(10,651)
Other taxes	182,654	193,224	10,570
Other Provincial Revenue	343,388	355,695	12,307
Investment Income	152,457	105,907	(46,550)
Federal Source	3,851,291	4,134,470	283,179
Ordinary Recoveries	666,720	684,998	18,278
Net Income from Government Business Enterprises	391,814	399,896	8,082
Total Ordinary Revenue	11,597,040	11,781,820	184,780

Departmental Expenses – Quick Highlights

- ▶ Departmental expenses up \$859.1M or 8.1% primarily because:
 - \$349.6M in COVID-19 related net expenses
 - of which \$275.6M within Health and Wellness including \$53.4M for PPE, \$44.8M for federal safe restart expenses, \$24.2M for immunization costs and \$23.6M for health system capacity initiatives
 - \$234.5M in Health and Wellness non-COVID items
 - including highlights of \$58.5M to NSHA for incremental operating costs, \$12.3M for LTC Expert Panel recommendations and \$12.3M for additional mental health programming
 - \$103.7M in Department of Community Services non-COVID expenses
 - including \$35.2M for raising the Standard Household Rate, \$20.4M for additional clients into community-based settings and \$12.5M for growth in DSP specialized placements and other client needs
 - \$86.4M in Education and Early Childhood Development non-COVID expenses
 - primarily \$54.0M for wages, \$15.0M for inclusive education initiatives and \$14.6M for P-12 operational increases

Departmental Expenses Year-Over-Year Budget

Departments and Public Service (\$000):	Estimate 2020-21	Estimate 2021-22	\$ Change in Estimate	% Change in Estimate	COVID-19 Impact \$	Non-COVID-19 Impact \$
Agriculture	\$ 42,075	40,613	(1,462)	-3.5%	-	(1,462)
Communities Culture and Heritage	96,890	117,098	20,208	20.9%	-	20,208
Community Services	1,002,202	1,124,314	122,112	12.2%	18,446	103,666
Education and Early Childhood Development	1,479,302	1,591,394	112,092	7.6%	25,652	86,440
Energy and Mines	63,509	70,768	7,259	11.4%	-	7,259
Environment and Climate Change	42,492	44,379	1,887	4.4%	1,260	627
Finance and Treasury Board	24,282	25,031	749	3.1%	-	749
Fisheries and Aquaculture	17,792	19,493	1,701	9.6%	150	1,551
Health and Wellness	4,822,637	5,332,752	510,115	10.6%	275,574	234,541
Inclusive Economic Growth	149,022	125,594	(23,428)	-15.7%	10,347	(33,775)
Infrastructure and Housing	-	132,782	132,782	-	7,290	125,492
Justice	374,244	392,342	18,098	4.8%	2,738	15,360
Labour and Advanced Education	400,631	407,450	6,819	1.7%	2,189	4,630
Assistance to Universities	433,420	443,590	10,170	2.3%	-	10,170
Lands and Forestry	78,215	79,033	818	1.0%	-	818
Municipal Affairs	308,513	213,184	(95,329)	-30.9%	1,121	(96,450)
Public Service	136,354	142,347	5,993	4.4%	135	5,858
Seniors	2,711	2,916	205	7.6%	-	205
Service Nova Scotia and Internal Services	299,199	328,485	29,286	9.8%	1,494	27,792
Transportation and Active Transit	535,752	554,192	18,440	3.4%	3,220	15,220
Subtotal	\$ 10,309,242	\$ 11,187,757	\$ 878,515	8.5%	\$ 349,616	\$ 528,899
Restructuring	341,032	321,642	(19,390)	-5.7%	-	(19,390)
TOTAL DEPARTMENTAL EXPENSES	\$ 10,650,274	\$ 11,509,399	\$ 859,125	8.1%	\$ 349,616	\$ 509,509

Note: Year over year variances include transfers between departments.

Healthcare

- ▶ \$76.1 million to the Nova Scotia Health Authority for incremental operating expenses and additional system capacity for anticipated COVID-19 need
- ▶ \$24.2 million to distribute COVID-19 vaccine across the province
- ▶ \$12.8 million to support increases in Seniors and Family Pharmacare
- ▶ \$12.3 million for new mental health programming
- ▶ \$5.7 million for Public Health, new positions at NSHA and DHW

Healthcare - Continuing Care

- ▶ \$22.6 million to continue implementation of the LTC Expert Panel Recommendations (\$10.3M related to COVID-19 LTC assistants)
- ▶ \$12.3 million to extend Regional Care Centres to support LTC patients with COVID-19
- ▶ \$11.3 million to meet Infection Prevention and Control Recommendations
- ▶ \$8.6 million to support the LTC Infrastructure Renewal Plan
- ▶ \$6.0 million to assist the Continuing Care sector with COVID-19 related expenses

- ▶ \$1.8 million to expand the Apprenticeship START Program to mitigate impacts of COVID-19 and help connect more apprentices to the workforce
- ▶ \$1.5 million for the first year of a new five-year Aquaculture Expansion Plan
- ▶ \$1.3 million for the first year of a new five-year Nova Scotia Quality Wine strategy
- ▶ \$25.3 million for new Green Fund programs to address climate change

A Connected, Affordable, Inclusive Nova Scotia

- ▶ \$35.2 million increase to Standard Household Rate of \$100 per month per adult
- ▶ \$46.7 million increase to Disability Support Program that includes:
 - \$20.4 million support for transition to community base settings
 - \$12.5 million support residential and community base programs and
 - \$10.4 million to DSP to increase capacity in hospital settings
- ▶ \$15.0 million increase in Inclusive Education funding
- ▶ \$2.4 million for Land Titles Initiative – Accelerated Approach

Department Changes for Budget 2021-22

▶ The following are notable Department / Office Changes:

- Create Office of Equity and Anti-Racism Initiatives
- Create Office of Mental Health and Addiction Services
- Create Department of Infrastructure and Housing

▶ The following are notable Department Transfers:

- \$107.8 million to move Housing Nova Scotia from Municipal Affairs to Infrastructure and Housing
- \$25.0 million to move the Film Fund from Nova Scotia Business Inc. to Communities, Culture and Heritage
- \$18.0 million to move Nova Scotia Lands (Health Care Infrastructure Division) from Transportation and Active Transit to Infrastructure and Housing
- \$9.7 million to move Homelessness from Municipal Affairs to Community Services
- \$8.5 million to move Community Transportation from Communities, Culture and Heritage to Transportation and Active Transit
- \$3.2 million to move Building Project Services from Transportation and Active Transit to Infrastructure and Housing

Department FTEs

Department	2020-21 FTE Estimate	Change in Estimate	COVID-19 Impact FTE	FTE Transfer	2021-22 FTE Estimate
Agriculture	169.6	-	-		169.6
Communities, Culture and Heritage	249.6	2.0	-	(0.7)	250.9
Community Services	1,533.7	49.0	-	2.8	1,585.5
Education and Early Childhood Development	207.8	-	-		207.8
Energy and Mines	96.0	-	-	(0.5)	95.5
Environment and Climate Change	356.3	1.5	23.9	0.5	382.2
Finance and Treasury Board	210.5	2.0	-	1.5	214.0
Fisheries and Aquaculture	70.7	-	-		70.7
Health and Wellness	322.2	10.2	18.5	(1.2)	349.7
Inclusive Economic Growth	27.0	-	-	1.5	28.5
Infrastructure and Housing	-	24.0	-	161.8	185.8
Justice	1,689.8	-	-	(2.2)	1,687.6
Labour and Advanced Education	266.2	(0.6)	-	-	265.6
Lands and Forestry	591.2	7.0	-	(1.5)	596.7
Municipal Affairs	182.0	0.8	-	(111.8)	71.0
Public Service	916.7	13.6	1.0	1.0	932.3
Seniors	9.0	-	-	0.5	9.5
Service Nova Scotia and Internal Services	1,614.9	32.0	7.5	0.8	1,655.2
Transportation and Active Transit	1,922.9	1.0	-	(52.5)	1,871.4
Total FTEs	10,436.1	142.5	50.9	-	10,629.5

Capital Plan 2020-21 Budget to Forecast

Capital Spending Fiscal 2020-21

(\$ thousands)

	Budget	December Update	February Forecast	Increase/ (Decrease) from Budget	Increase/ (Decrease) from Update
Highways & Structures	400,580	501,696	529,231	128,651	27,535
Buildings	443,508	466,139	403,098	(40,410)	(63,041)
Information Technology	10,531	11,710	12,942	2,411	1,232
Land Purchases	2,500	7,042	32,122	29,622	25,080
Vehicles and Equipment	13,843	19,458	19,918	6,075	460
Contingency	40,000	40,000	---	(40,000)	(40,000)
Total - Capital Purchase Requirements	910,962	1,046,045	997,311	86,349	(48,734)
Capital Grants	131,446	201,347	182,280	50,834	(19,067)
Total - Capital Spending	1,042,408	1,247,392	1,179,591	137,183	(67,801)

Capital Plan 2021-22 (\$ thousands)

Project Type	2020-21 Estimate	2021-22 Estimate	Change in Estimate
Highways & Structures	400,580	481,833	81,253
Buildings	443,508	450,728	7,220
Information Technology	10,531	13,565	3,034
Land Purchases	2,500	3,486	986
Vehicles and Equipment	13,843	16,181	2,338
Contingency	40,000	50,000	10,000
Total - Capital Purchase Requirements	910,962	1,015,793	104,831
Capital Grants	131,446	160,176	28,730
Total - Capital Spending	1,042,408	1,175,969	133,561

Capital Highlights

- ▶ Capital Plan expenses are \$1.176B for 2021-22:
 - \$217.2 million investment for the purchase and construction of schools
 - \$178.2 million to support QEII and CBRM healthcare redevelopment
 - \$95.5 million for other hospitals and medical facilities across the province
 - \$467 million for Nova Scotia's roads, highways and bridges

► Expenditures

- **Government-wide:** general uncertainty exists in various service-delivery programs due to ongoing pandemic, where demand shifts may impact utilization
- **Health care:** risk of variance exists in health care expenditures due to system-wide response to evolving state of COVID-19 pandemic, and vaccine distribution program
- **Sectoral Supports:** added supports may be required to stabilize various sectors in Nova Scotia as pandemic evolves. Government will continue to monitor and assess potential need

Risks and Uncertainties

▶ **Economic risks:**

- Resolution of COVID-19 economic effects depends on vaccination, control of variants, travel restrictions, global demand
- Pent up demand, long-term changes in consumer preference and business practice
- “Scarring” effects (employment loss, business closures) could slow potential growth
- Fiscal/monetary stimulus ongoing, but will wind down eventually
- Underlying economic risks: trade tensions, increased debt, forest industry
- Elevated risk of data revisions

▶ **Revenue**

- *Personal Income Tax*: labour market impact mitigated by direct federal transfers to Nova Scotians, which are short-term in nature
- *Corporate Income Tax*: size of loss carryback provisions anticipated to be large, but not yet certain
- *HST*: heavily reliant on consumer expenditures and residential construction and dependent on pace of economic recovery and consumer confidence
- *Government Business Enterprises*: impacted by public health orders, needs for social distancing and impacted by traffic volumes

Four -Year Fiscal Plan: 2021-22 to 2024-25

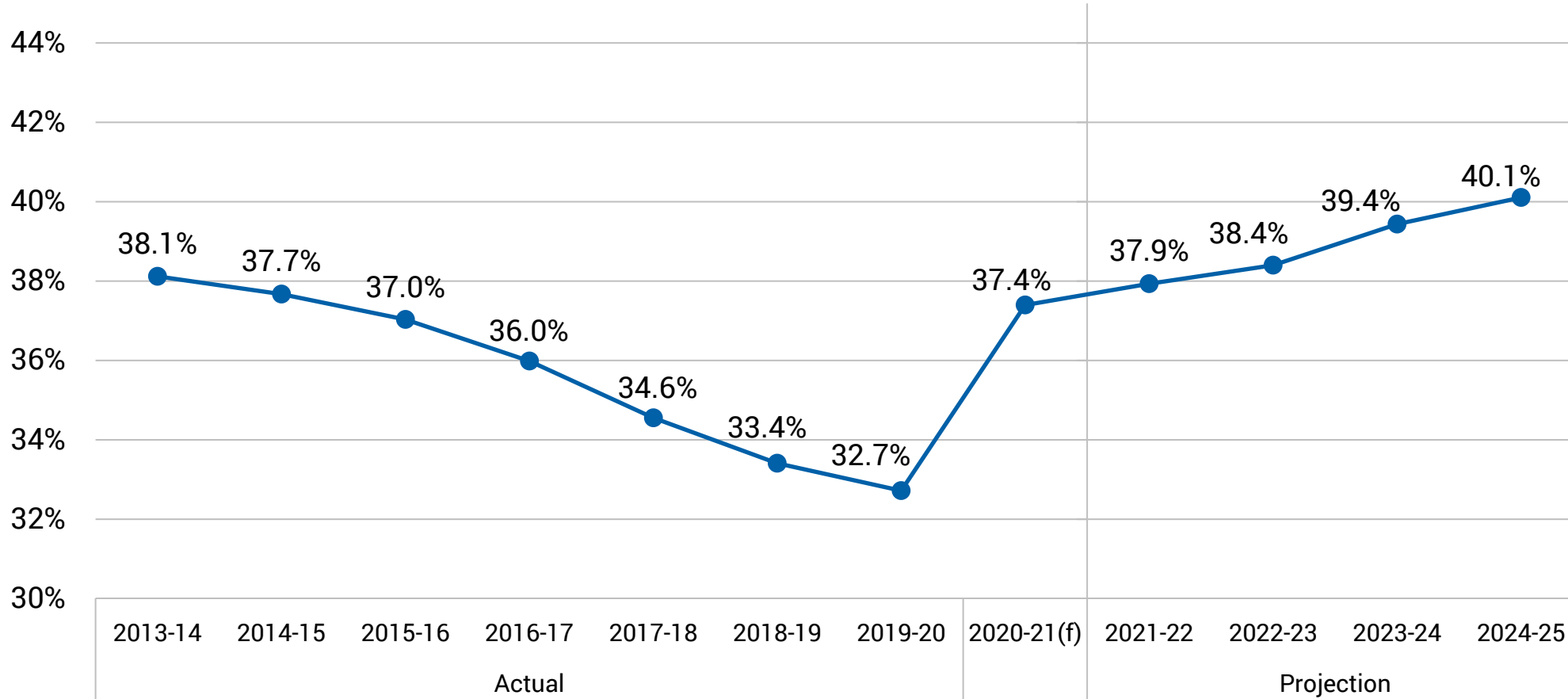
(\$millions)

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General Revenue Fund	2020-21 Estimate	2020-21 Forecast	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Revenues						
Ordinary Revenue	10,538.5	10,270.4	10,696.9	10,906.6	11,106.7	11,393.9
Ordinary Recoveries	666.7	710.8	685.0	684.5	668.6	586.4
Net Income Government Business Enterprises	391.8	363.2	399.9	399.1	402.9	406.0
Total Revenues	11,597.0	11,344.5	11,781.8	11,990.2	12,178.2	12,386.3
Expenses						
Departmental Expenses	10,650.3	11,221.1	11,509.4	11,300.5	11,412.9	11,415.1
Refundable Tax Credits	131.5	123.7	144.7	128.9	129.7	130.3
Pension Valuation Adjustment	75.8	76.4	107.8	113.8	120.5	115.4
Debt Servicing Costs	758.4	742.5	710.9	696.4	737.4	751.8
Total Expenses	11,616.0	12,163.8	12,472.8	12,239.6	12,400.6	12,412.6
Consolidation and Accounting Adjustments	73.9	113.8	106.1	31.8	46.8	36.8
Provincial Surplus (Deficit)	55.0	(705.5)	(584.9)	(217.5)	(175.6)	10.5
Net Debt	15,716	16,680	17,976	19,198	20,286	21,194
Nominal GDP	47,133	44,607	47,387	49,995	51,444	52,865
Net Debt-to-GDP Ratio	33.3%	37.4%	37.9%	38.4%	39.4%	40.1%

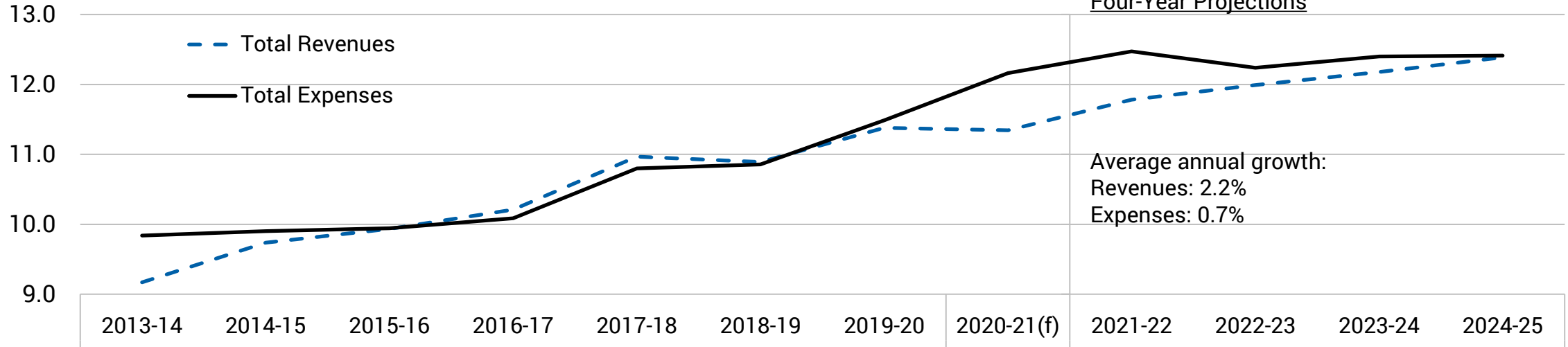
Net Debt to GDP

Projected Net Debt-to-GDP Ratio
(percentage of GDP)

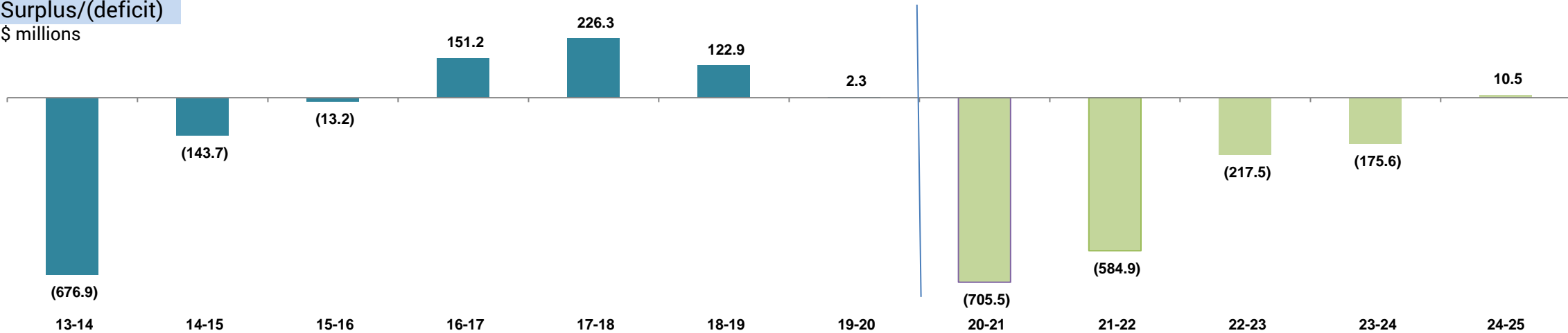


Fiscal Position – Four Year Fiscal Plan

Revenues and Expenses (\$billions)



Surplus/(deficit)
\$ millions



[NOVASCOTIA.CA/BUDGET](https://novascotia.ca/budget)