

Budget | 2015 2016 Highlights

Budget Overview

Budget 2015-2016 holds the line on spending, restructures and reduces the size of government, and continues to clear the way for private-sector growth.

The budget focuses on the core responsibilities of government and makes the changes needed to protect key government priorities like health care, education and support for seniors and low-income Nova Scotians.

Revenues for 2015–2016, including net income from government business enterprises, are an estimated \$9.9 billion, a 3.7 per cent increase from 2014–2015. Expenses are an estimated \$10 billion, an increase of 0.9 per cent from 2014–2015. The projected deficit is \$97.6 million.

Departmental Spending

Budget 2015-2016 holds the line on spending by focusing on the core responsibilities of government and making structural change that will make it work better and cost less. By making thoughtful, strategic spending decisions and reductions, overall departmental spending is up 0.7 per cent over 2014-2015, when taking into account wage increases that were some of the highest in Canada for the sectors.

- Begin to right-size the civil service by reducing 320 full-time equivalent jobs as government restructures programs and services
- Program Review to date will save taxpayers \$119 million. Program Review has become a permanent initiative with future savings contributing to sustainable finances
- Department of Health and Wellness spending will rise 0.8 per cent, the smallest increase in more than a decade. Five other departments have smaller budgets than last year
- Invest an additional \$20.4 million this year to renew, refocus and rebuild our education system
- Protect our vulnerable citizens by increasing funding to a number of programs

Health and Wellness

Nova Scotians invest greatly in their health system, yet the province faces significant economic, fiscal and demographic challenges that put exceptional pressure on that investment. Budget 2015-2016 will ensure the more than four billion health dollars are spent wisely to address the health needs of the population today, and the future.

- The Nova Scotia Health Authority (NSHA) came into place April 1, 2015, with a new, streamlined leadership team and volunteer board
- Work with the NSHA and IWK Health Centre to develop the province's first, multi-year provincial health plan that will ensure the most effective and efficient use of resources
- \$2.6 million to develop the One Person One Record plan, which if fully implemented, will become a single, secure electronic record that connects all of a person's health information
- \$700,000 to expand the Sexual Assault Nurse Examiner program to two more areas
- \$2 million more to help address orthopaedic surgery wait times, providing 450 more surgeries
- Increase age of eligibility from 19 to 25 years for insulin-pump funding
- Expand vaccinations for meningococcal meningitis, including introducing the quadrivalent meningococcal vaccine in the school program
- Add the Human Papillomavirus Vaccine (HPV) for Grade 7 males through the school program
- Provide Early Intensive Behavioural Intervention to meet the needs of pre-schoolers with autism preparing to enter school
- \$1.8 million to provide the Caregiver Benefit to support 385 more families (additional funding)
- \$3.8 million for home-care services (additional funding)

Student Success

Budget 2015-2016 directly supports Nova Scotia's Action Plan for Education. Funding will help to ensure children have the support they need for a positive start to school, and that students benefit from a quality Primary-to-12 education, doing better in core areas like math and literacy. Budget 2015-2016 also provides the funding universities need to protect quality over the long term. Budget decisions are also focused on keeping education accessible for Nova Scotia students studying at Nova Scotia universities.

- \$3.6-million increase for grades Primary to 2 class-size caps, \$3.45 million for grades 3 and 4 class-size caps
- \$3-million increase for the math strategy; \$4.4 million for early literacy (a \$973,000 increase)
- \$6.5 million towards Nova Scotia's Action Plan for Education
- Offer early intervention in math for grades Primary to 3 students
- \$1.3-million increase to reduce the wait lists for community-based Early Intervention
- \$700,000 increase for Early Learning Initiatives; \$500,000 increase for four new SchoolsPlus sites
- \$3.2 million to increase university operating grants by one per cent
- Allow universities to make one-time market adjustments to tuition, to charge similar amounts for similar programs. Maintain the three per cent cap on tuition increases for Nova Scotia undergrads once market adjustments are applied; remove cap for out-of-province and graduate students

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- \$1.6 million in up-front grants to help more Nova Scotia students pay for school
 - Forgive up to \$15,000 in provincial student loans for Nova Scotia students at Nova Scotia universities through the Nova Scotia Loan Forgiveness Program
 - \$24.8 million to maintain the Nova Scotia Bursary, which automatically takes \$1,283 off tuition for Nova Scotia students studying here at home
 - \$3.8 million for the 0% Interest Program, to pay the interest on provincial student loans for Nova Scotia graduates

Tax Measures

Government will take a long-term, measured and thoughtful approach to implementing changes to Nova Scotia's tax system. Fairness, simplicity, competitiveness and sustainability will guide government decision-making, as it makes every effort to ensure that changes to the taxation mix do not harm vulnerable Nova Scotians.

- Maintain the volunteer firefighter and ground search and rescue tax credit, as well as HST rebates on children's clothing, footwear and diapers, feminine hygiene products and printed books, and maintain the Affordable Living Tax Credit
- Increase tobacco taxes by two cents per cigarette, two cents per gram of fine-cut tobacco and two cents per pre-portioned tobacco stick
- Lower the non-eligible dividend tax credit, which has not kept pace with changing conditions, from 5.87 per cent to 3.5 per cent
- The Film Industry Tax Credit will give companies the first 25 per cent as refundable, but the remaining 75 per cent of the credit will be applied to any taxes owing
- These changes take effect July 1, 2015 to ensure projects currently in progress can continue
- Eliminate the Healthy Living Tax Credit which is not helping low-income Nova Scotians

Program and Service Review and Structural Change

Over the decades, government has introduced a complex web of often overlapping programs that need rigorous examination and review to respect and maximize taxpayer dollars and ensure value.

- Program Review to date will save taxpayers \$119 million. Savings come primarily from:
 - program changes (\$10.2 million) that include converting seven underutilized camping parks to self-registration, closing two underutilized visitor information centres, and ending the Environmental Home Assessment Program and a duplicated flood-mitigation program
 - grant and tax changes (\$56.8 million) that include rebalancing support to the creative sector by revising the Film Industry Tax Credit and phasing out equity investments in film projects. The changes also include refreshing the Sustainable Transportation Strategy and eliminating the out-of-province university student bursary
 - structural changes (\$42.7 million) that include eliminating the Department of Economic and Rural Development and Tourism, phasing out the Nova Scotia Gateway Office, merging Nova Scotia Lands and Waterfront Development Corporation Ltd. to eliminate duplication, eliminating Film and Creative Industries

Nova Scotia and consolidating Land Registry Offices to five locations to reflect declining office visits and increased online use

- other changes (\$9.4 million) that include various revenue adjustments and administrative efficiencies

- Program Review is now a permanent part of government that will deliver more savings and efficiencies as government moves to sustainable finances

Business and Innovation

Government has an important role to play in clearing the way for the private sector to pursue growth by maintaining a policy and regulatory environment that creates a climate to enable business and social enterprise growth. Budget 2015-2016, will take a bold new approach to economic development and innovation, supported by major structural change.

- New Department of Business will help create one of the most competitive and business-friendly environments in Canada, allowing the private sector to drive economic growth in Nova Scotia.
- Provide strategic planning and policy direction, foster entrepreneurship and innovation, and ensure business development is co-ordinated across government and beyond
- Department will house the Office of Regulatory and Service Effectiveness to implement regulatory recommendations in the Nova Scotia Tax and Regulatory Review and work with New Brunswick to create a modern, consistent and fair regulatory environment
- \$2 million this year to Invest Nova Scotia for initiatives that provide broad economic benefits across the province
- \$400,000 for Brilliant Labs in all eight school boards, to help teachers incorporate technology, creativity and entrepreneurship in the classroom
- \$1.6 million this year for the Graduate to Opportunity program

Creative Economy

The contributions made by all businesses in the creative sector help to drive our economy. Budget 2015–2016 will align the creative sector with Nova Scotia Business Inc. to provide business development support and promotion for creative industries. Government will provide almost \$70 million this year in support of the cultural sector, including:

- \$12.5 million in direct culture and heritage development programming, including \$2.6 million for Arts Nova Scotia
- \$14 million for libraries
- \$10 million in operational funding and programming, including museums and the Art Gallery of Nova Scotia
- \$24 million for the Film Industry Tax Credit
- \$7.5 million for the Digital Media Tax Credit
- Government will rebalance industry funding, creating a climate that supports entrepreneurship, innovation and growth in business and social enterprise
- The \$6-million Creative Economy Fund will begin April 1, 2016, and NSBI will work with the sectors in establishing the criteria for the fund

Wage Challenge

The inflated wage pattern of the past several years has prevented a return to balance. The fact that economic growth stalled in tandem with this wage pattern made the situation even more difficult.

- The generosity of two, 2.5 and three per cent wage increases has left a major burden for all Nova Scotians
- Real economic growth in this period was only 1.6 per cent
- Over \$700 million in total was added to government's labour costs over the last three years -- these costs are now embedded permanently
- 58 per cent of our departmental spending is spent on wages -- about \$5.2 billion of the province's total budget of \$8.9 billion
- If labour settlements had matched the real growth in the economy, our wage bill would be \$300 million lower and we would have a \$200-million surplus
- Government has announced a three-year wage freeze for excluded employees and froze their public service awards

Net Debt/Gross Domestic Product (\$ billions)

<i>Fiscal Year</i>	2013-14	2014-15 (e)	2014-15 (f)	2015-16	2016-17	2017-18	2018-19
Net Debt	14.8	15.0	15.0	15.1	15.3	15.3	15.3
Nominal GDP	39.1	40.1	40.5	41.6	43.0	44.2	45.8
ND to GDP (ratio)	37.7%	37.4%	36.9%	36.3%	35.5%	34.6%	33.4%

Nova Scotia Economic Forecast

<i>Per cent change, except where noted</i>	2014	2015	2016
Real GDP (\$2007 chained)	1.6%	1.7%	1.5%
Nominal GDP	3.6%	2.7%	3.4%
Compensation of Employees	3.0%	3.4%	3.6%
Household Final Consumption	2.6%	3.4%	3.5%
Retail Sales	2.2%	1.0%	2.7%
Consumer Price Index	1.7% ^a	0.7%	2.3%
Investment in Residential Structures	-11.1%	3.4%	2.9%
Net Operating Surplus: Corporations	16.6%	1.9%	5.6%
Exports of Goods to Other Countries	21.7%	0.1%	3.4%
Population at July 1 (thousands)	942.7 ^a	943.7	944.5
Employment (thousands)	447.6 ^a	450.1	452.2
Unemployment Rate, Annual Average	9.0% ^a	8.5%	7.9%

The Nova Scotia economic forecast contains data and information up to and including February 12, 2015.
a ~ actual (forecast growth rates apply to actuals as known by February 12, 2015)

Budget Summary (\$ thousands)	Estimate 2014–2015	Forecast 2014–2015	Estimate 2015–2016
Total Revenues	9,566,136	9,762,790	9,920,008
Total Expenses	9,935,694	9,897,388	10,024,247
Consolidation Adjustments	90,602	32,458	6,664
Provincial Surplus (Deficit)	(278,956)	(102,140)	(97,575)
Provincial Revenue Sources			
Personal Income Tax	2,342,580	2,365,684	2,524,962
Corporate Income Tax	441,387	490,616	493,193
Harmonized Sales Tax	1,710,776	1,701,812	1,761,253
Motive Fuel Tax	247,617	252,121	262,276
Tobacco Tax	226,722	206,079	217,792
Other Tax Revenue	154,993	154,585	158,855
Registry of Motor Vehicles	121,458	123,726	126,949
Royalties – Petroleum	31,775	43,292	19,405
Other Provincial Sources	138,184	141,622	142,609
TCA Cost Shared Revenue	3,320	6,463	1,750
Other Fees and Charges	62,894	59,813	63,176
Prior Years' Adjustments	---	107,080	---
Interest Revenues	69,305	72,703	79,031
Sinking Fund Earnings	106,197	105,115	99,549
Ordinary Recoveries	311,412	322,458	317,269
Net Income from Government Business Enterprises	340,391	344,839	352,109
Total – Provincial Sources	6,309,011	6,498,008	6,620,178
Federal Revenue Sources			
Equalization Payments	1,757,744	1,750,653	1,768,921
Canada Health Transfer	846,774	852,161	896,863
Canada Social Transfer	331,895	334,007	341,579
Offshore Accord Offset Payments	64,481	64,481	36,779
Crown Share	13,762	21,083	7,437
Other Federal Sources	7,917	3,877	2,319
TCA Cost Shared Revenue	23,981	23,414	31,963
Prior Years' Adjustments	---	8,286	---
Ordinary Recoveries	210,571	206,820	213,969
Total – Federal Sources	3,257,125	3,264,782	3,299,830
Expenses			
Agriculture	60,968	73,127	61,536
Business	---	---	114,143
Communities, Culture and Heritage	61,256	58,398	61,837
Community Services	903,496	920,092	915,410
Economic and Rural Development and Tourism	141,607	160,332	---
Education and Early Child Development	1,220,027	1,219,089	1,244,607
Energy	32,085	31,728	30,160
Environment	26,484	26,084	25,343
Finance and Treasury Board	13,529	12,797	14,415
Fisheries and Aquaculture	9,622	9,416	9,883
Health and Wellness	4,104,920	4,082,906	4,137,741
Internal Services	115,022	152,289	180,300
Justice	322,476	322,068	327,593
Labour and Advanced Education	348,420	347,185	362,931
Assistance to Universities	372,941	372,548	376,084
Municipal Affairs	157,792	153,088	167,474
Natural Resources	89,242	88,471	82,983
Public Service	240,151	233,989	200,947
Seniors	1,862	1,729	1,496
Transportation and Infrastructure Renewal	402,489	414,897	419,277
Restructuring Costs	227,251	148,723	175,853
Refundable Tax Credits	115,566	127,052	150,968
Pension Valuation Adjustment	90,505	78,769	90,654
Debt Servicing Costs	877,983	862,611	872,612
Total – Expenses	9,935,694	9,897,388	10,024,247