

NOVA SCOTIA BUDGET BULLETIN

FOR THE FISCAL YEAR 2007-08



Debt Management

Balancing the Budget

To get your finances in order the first step is to balance your budget. That's what the Province has done the past number of years.

This is the sixth consecutive year that the Province has brought forth a balanced budget.

Eliminating annual budget deficits; however, is only one part of managing debt—the other is to stop the debt from growing. That's what the debt reduction plan is designed to do.

Debt Reduction Plan

In recent years, the Province of Nova Scotia has taken a number of steps to stop the growth of Nova Scotia's debt. One of the most important steps has been its Debt Reduction Plan (April 2005).

The Plan has two components—a legislated requirement to ensure the \$830 million Nova Scotia received from the Offshore Offset Agreement is applied to the debt, and a commitment to have the net direct debt (NDD) decline, beginning in 2007-08.

Applying the full \$830 million offshore offset dollars directly to the province's gross debt helped to reduce annual net debt-servicing costs from \$890 million in 2004-05 to \$841 million in 2007-08. These savings were redirected to help fund programs and services that Nova Scotians use every day.

Net Direct Debt Formula

	Tangible Capital Assets Spending \$
less	Amortization
less	Surplus
plus	Changes in Inventory
=	Net Direct Debt

Since implementation of the Debt Reduction Plan, net debt-servicing costs, as a percentage of the province's total expenditure, have gone from 14.7 per cent in 2004-05 to 12.1 per cent in 2006-07.

Nova Scotia is on track with its Debt Reduction Plan.

In addition, while the NDD was not slated to decline until 2007-08, it was reduced in 2004-05 by \$22.6 million and in 2005-06 by \$66 million, due to increased surpluses, largely because of higher than anticipated revenues.

As planned, in 2006-07, Nova Scotia's NDD did increase. This was primarily due to funding a number of important capital projects that provided much needed infrastructure across the province.

In 2007-08, the province's NDD will decline by \$15.4 million, which will put the NDD at an estimated \$12.414 Billion. This is \$7 million lower than estimated in the Debt Reduction Plan of 2005.

The Government has reaffirmed its commitment to stop the debt from growing, and will continue to focus on living within our means and spending responsibly.

**Net Direct Debt
(\$Millions)**

	2004-05	2005-06	2006-07	2007-08
Fiscal Plan 2005-2006	12,381	12,471	12,517	12,421
Fiscal Plan 2007-2008	12,305*	12,239*	12,429	12,414

* These are actual numbers from the 2005-06
Public Accounts.



The Honourable Michael G. Baker Q.C.
Minister of Finance