Back to Balance

*The Four Year Plan*

It is a privilege to present to this House, and to Nova Scotians, the budget for 2010–2011.

This budget represents many firsts.

It is this government’s first real budget, because last year’s budget was essentially the previous government’s, and was introduced and passed halfway through the fiscal year to ensure continuity and stability.

This budget also marks the first steps on the road back to balance.

It represents a new course for Nova Scotia.

**Consultations**

Over the past two months, our government has engaged in the most extensive financial consultation in the province’s history.

Nineteen public meetings were held throughout the province. About 1,500 Nova Scotians participated.

Another 1,000 Nova Scotians, both individuals and organizations, shared their values and priorities through written submissions.

I also held another dozen Back to Balance sessions with economists, Chambers of Commerce, union leaders, NovaKnowledge, and a wide variety of other organizations.

While there wasn’t always a consensus, there was one common thread from the Legion in Whitney Pier to the Nova Scotia Community College campus in Yarmouth to the elementary school gym in Sheet Harbour to the Lions Club in Amherst, and everywhere in between. Nova Scotians care deeply about their province, and their future.

You might say, because of the impressive participation in the Back to Balance process, that this is the first budget built on the collective wisdom of Nova Scotians from one end of the province to the other.

The commitment and passion participants brought to the sessions were impressive. To all those who participated, either personally or in writing, I want to take this opportunity to say “thank you”. This budget reflects many of your values and priorities. And so will the fiscal plan this government will implement in the months and years ahead.

The Plan
Our plan stretches well beyond this budget. Our approach will be smart, strategic and steady. As promised, it will ensure that government lives within its means and focuses on the programs and services important to Nova Scotians.

Our plan has four key components.

First, our government will bring better health care to you and your family.
Second, we will create secure jobs and grow the economy.

Third, we will make life more affordable.

Fourth, we will get Nova Scotia back to balance and ensure that government lives within its means.

Acting wisely and making the right decisions now will lay the foundation for lasting prosperity.

Like all recessions, this one will come to an end. Our plan will help ensure that, when the recession ends, Nova Scotia will be better positioned than ever to take on the world.

The decisions made will be rooted in common sense. While some decisions will be tough, they will always be fair.

We wish things were different. We wish the legacy of unsustainable spending we have inherited didn’t exist. But it does.

It is our responsibility to deal with it—to clean up the mess—so that Nova Scotia’s future is not compromised.

Doing nothing is not an option.

That was made clear by the experts on the Economic Advisory Panel who told us that if nothing is done to address the structural deficit, our province will be facing a deficit of $1.4 billion within three years.

The reason is quite simple. Expenses were rising faster than revenue. The gap between how much we spend and how much we take in was growing bigger, and would have continued to grow even when the recession ends.
This structural deficit left by the previous government means that debt and interest payments are rising.

An indebted government cannot deliver critical programs and services in health and education.

A government can control its destiny only if it controls its balance sheet.

We will control our destiny.

As the expert panel pointed out, in order to address the province’s financial challenges, government has three strategies to work with. Spending must be controlled. Revenues must be increased. And the economy must grow.

The Expert Advisory Panel said that, because of the size of the challenge, we must do all three.

We have listened, and we agree.

Today we are taking necessary and decisive action.

In this budget, and in our four-year plan, we have found the right balance in using the strategies we have available to us.

**Debt and Deficit — Getting Back to Balance**

Despite steep revenue growth from our offshore industry when the economy was booming, lack of fiscal discipline and poor policy choices over the past decade have driven our debt upward. It now stands at the second highest per capita, among the provinces.

This province’s debt is too high. The interest on that debt will soon return to $1 billion per year. Nova Scotians are paying dearly for the mistakes of the past. We will not repeat them.
The financial path chosen by the previous government was unsustainable. We choose a different path.

During the Back to Balance sessions, it became clear that there was a broad consensus that the right time frame for getting back to balance was 3–5 years.

We have listened, and we agree.

As a result of the measures taken in this budget, and measures still to be taken, we believe it is reasonable and achievable to forecast a return to balance in the budget for 2013–2014.

If results are better than expected, then balance one year earlier is possible. If the economy takes longer than expected to recover, or if other events intervene, then an additional year may be required.

This responsible, measured approach will ensure we respect the wishes of Nova Scotians and the needs of the economy, while continuing to deliver the programs and services that Nova Scotians need.

In last fall's budget, the deficit for the fiscal year 2009-2010 was forecast to be $592 million. We now forecast that deficit to be $488 million. Although that's still a very significant number, it's $104 million better than we forecast on the last Budget Day, and $37 million better than we forecast in December.

In this budget, the deficit we forecast for 2010–2011 is $222 million. That is an improvement over last year, and is one of the lowest deficit-to-GDP ratios in the country.

Following the next budget year, the debt-to-GDP ratio—which is an important measure of our ability to repay the money we owe—is forecast to decline, and our commitment is to ensure that it continues to decline thereafter.
Spending Smarter

In the Back to Balance sessions, we were told, very plainly and consistently, that we cannot turn to Nova Scotians for more revenue unless we commit to using every single existing revenue dollar as wisely and efficiently as possible.

We have listened, and we agree.

Of the $1.4 billion fiscal gap identified by the Expert Advisory Panel, we will eliminate $1.1 billion through expenditure management and restraint.

Of that $1.1 billion, about $250 million will come from ongoing wage restraint in the public sector, and between $150 million and $200 million will come from changes to the public service pension plan which I will discuss later in this speech.

The rest will come from spending restraint—better using the dollars we already have.

In this budget, we have brought spending growth down, as many Nova Scotians asked us to do in the Back to Balance sessions. There is in fact a decrease in total departmental expenses.

This contrasts with spending growth averaging five percent per year over the past 10 years of the previous government.

Over the rest of the four-year planning period, expenditure will be tightly managed. We have set tough but manageable savings targets, adding up to $772 million by 2013.

This ambitious plan will take hard work, discipline and determination.
We will move forward carefully, looking at how we can improve or transform service delivery, rather than how we can cut or suspend it.

Every program and every service will be examined for relevance, effectiveness and affordability.

We will find strategic alignments and insist that accountability be a mainstay between government and our third party agencies.

The fact is about 60 per cent of government’s expenditures are payments to third parties like universities, school boards, district health authorities and municipalities.

It’s time to review our current structure to ensure the best possible value for the taxpayers’ dollar.

The effort will be led through our Expenditure Management Initiative which was established very early in this government’s mandate.

Year one savings from the Expenditure Management Initiative will be $54 million. Year two will see savings of $252 million. Year three will see savings just under $500 million, and year four, the balance year, will see cumulative savings of $772 million.

We are already seeing some positive results. In this budget, we have achieved our targets for year one. We have achieved this through wage restraint, a one percent reduction in discretionary spending for departments, and reduced reliance on external consulting services.

In addition, a directive was sent in early March to all units of government ordering an end to the so-called March Madness. That’s the practice of spending all unspent funds in the last few weeks of the fiscal year. Nova Scotians don’t want to see their money used this way. They want it to stop.
Let’s be clear, though—when talking about expenditure restraint, we’re not talking about impacting patient care or student outcomes.

We are talking about centralizing services, sharing administrative costs and using technology to not only improve service, but our bottom line as well.

Our government will work cooperatively with the third party agencies to ensure our plan is measured and sustainable.

With more efficient service delivery, comes the need for smaller government.

We will reduce the civil service by ten per cent by 2013, relying on attrition through retirements and voluntary departures. We do not expect this will require layoffs.

Change won’t happen overnight. It will not be forced, but it will happen.

Restoring Trust

Another message was stated clearly during the Back to Balance sessions—that Nova Scotians expect their elected representatives to spend every dollar wisely, especially when it comes to their own expenses.

We have listened, and we agree.

That is why this House has taken decisive steps to rein in excessive MLA expenses. MLAs must still be able to serve their constituents, but they must do so within the same bounds of restraint that we expect to apply across government.

This government has already introduced legislation that will make the system of MLA expenses among the most accountable and transparent in the country.
As a result of changes already approved by the Internal Economy Board, in this budget the Legislative Expenses budget line has been reduced by $1.3 million to reflect the new level of more accountable MLA expenses.

Public Service Pension Plan

Our government recognizes the value of the men and women who provide the services and programs Nova Scotians rely on every day.

But the Public Service Superannuation Plan is seriously underfunded. It’s another example of where change is needed—change that looks at the long term.

The pension plan, on which tens of thousands of Nova Scotia families rely or will rely for their retirement income, currently is about 69% funded. Expressed differently, the shortfall is about $1.5 billion and growing.

An unfunded pension liability means that promises have been made that cannot be kept. This is a source of considerable anxiety to pensioners, and to civil servants who will one day be pensioners.

At the same time, the plan and its unfunded liability have been a millstone around the province’s balance sheet.

This situation cannot continue. We must deal with the problem now, because the plan’s health is deteriorating, and delay only makes a solution more expensive and difficult.

Today, I am pleased to say that we will make public service pensions more secure, while saving the public purse between $150 and $200 million per year, every year, in pension-related expenses.
We will do so by guaranteeing annual pension increases of 1.25% each year for the next five years. Starting in 2016, the amount of the annual increase will be based on the health of the plan.

We will also take advantage of historically low interest rates to refinance a portion of the unfunded liability, at considerable savings to taxpayers.

Two other changes will apply only to civil servants hired on or after today’s date.

These reforms, taken together, are expected to return the public service plan to 100% funding by the end of this year.

We are fixing the plan in a way that is scrupulously fair to all past and current members. I want to emphasize that all benefits currently being paid and that have already accrued are safe. With the plan funded at 100%, they are in fact more secure than ever.

We are fixing the plan in a way that is fair to taxpayers as well.

We will also position the plan for a transfer to joint trusteeship.

The changes being made to the public service pension plan will also apply to the pension plan for members of the Legislative Assembly.

**Better Health Care for You and Your Family**

As promised, our government is taking on the hard work to get our finances back to balance because our ability to deliver critical programs and services depends on it.
Let’s talk about what our plan and this budget mean for health care, which is consistently identified by Nova Scotians as the most important service offered by their provincial government.

Des investissements stratégiques immédiats permettront d’alléger le fardeau sur le système de soins de santé et nous mettra sur une voie plus durable. Notre plan assurera des meilleurs soins de santé pour les Néo-Écossais et leurs familles.

En concentrant notre énergie sur la prestation de services de première ligne et de soins de qualité, nous aborderons les problèmes systémiques tels que les fermetures de salles d’urgence, les listes d’attente et la pénurie de médecins.

Strategic investments now will take our health care system off the critical list, and put us on a more sustainable path. To Nova Scotians, I say that our plan will ensure that you and your family receive better health care.

By refocusing our energies on front line delivery and quality care, we will tackle systemic issues such as emergency room closures, wait lists and physician shortages.

Using health care professionals to their full potential is one example.

Recently, legislation was introduced to expand the scope of practice for pharmacists.

Making more collaborative primary health-care teams available will reduce unnecessary ER visits, and will help Nova Scotians manage their own health needs, as does the Healthlink-811, where advice from a registered nurse is just a phone call away.

As promised, our government will invest $1.3 million to set up pre-hab teams to reduce wait times for surgery. In working with
patients prior to surgery, the stress on the system, and the patient, is lessened.

Plans must be made today to accommodate our growing population of seniors.

Nurse practitioners will be placed in nursing homes to improve care, save money and relieve pressure in other areas of the system.

For seniors at home, our government will fulfill its promise and implement self-managed care allowances and personal alert assistance programs.

Overcrowded emergency rooms hurt the patient, and the taxpayers’ pocketbook.

Our government will establish a Rapid Assessment Unit to help patients move faster through the ER to admission, and open hospital beds for patients stuck in over crowded ERs at a cost of $4.8 million.

A $3 million ER protection fund will be set aside to implement initiatives identified by the province’s Emergency Care Advisor to improve service and access.

Our government knows that when people are faced with a crisis, transition houses can be a lifeline to safety. That’s why I am pleased to announce that we are fulfilling our commitment to provide transition houses and women’s centres an additional $500,000 this year. We are providing the first funding increase they have received in a decade.

Young people need positive role models, and alternatives to risky behaviour. We are continuing with our commitment and will invest $240,000 annually in after-school Lighthouse programs.
to provide recreational, cultural and life-skills programming for youth.

Growing the Economy

In the midst of what was perhaps the toughest recession since the Second World War, a consensus emerged across Canada that governments had a significant role to play in providing stimulus spending to maintain and create jobs.

Something that has perhaps gotten lost in some of the recent discussion around the province’s financial challenge is the fact that the previous fiscal year contained the largest capital expenditure program in the province’s history.

The federal government offered very significant dollars during a two-year window.

We made a commitment to create thousands of jobs by taking advantage of every single federal dollar that was available.

We kept that promise.

We kept people working.

We kept business working.

We have and will be building infrastructure that would not have been possible without this stimulus spending, which was always intended as a two-year commitment.

And the coming fiscal year is year two.

The worst of the recession appears to be behind us, but we’re not out of the woods yet.
Our forecast for real GDP growth in the calendar year 2010 is 1.9%. That is better than our recent experience, but still modest.

That growth forecast would be quite a bit lower were it not for the effect of stimulus spending.

Last year, our government invested $724 million in capital funding in roads, schools, hospitals and housing. Many of these investments brought additional funding from the federal and municipal governments.

This year, the capital investment will be less, but only by a little. The total capital investment is forecast to be $710 million.

We know this investment is having a positive impact on the economy. In fact, stimulus investments alone are expected to create 7,000 person-years of employment, generating about $300 million in income.

And we won’t stop there.

Building on last year’s investments, the province will contribute $33 million to support infrastructure projects at our universities and the Nova Scotia Community College.

This provincial funding is leveraging $56 million from the federal government and $41 million from other sources under the federal Knowledge Infrastructure Program, for a total of $130 million.

Our government is also keeping its commitment and adding $400,000 annually to enhance bridge and truck inspections to improve road safety.

Our government’s five-year plan to pave provincial roads will keep people working and communities connected.

These are great examples of smart investments.
So is the new Manufacturing and Processing Investment Credit, which will put $25 million back into business by boosting innovation and productivity in the province’s manufacturing and processing sectors, particularly in rural Nova Scotia.

This government knows that small business plays a big role in growing our economy.

That’s why our government is pleased to announce a cut in the small business tax rate.

Effective January 1, 2011, the rate will be reduced by 0.5 per cent, which will return about $6 million to small business next year.

We are the first government to cut the small business tax rate since 1992. Previous governments had the opportunity, but did not do it.

Our government is also taking steps to make it easier for entrepreneurs to raise capital for new ventures.

The Equity Tax Credit is expected to provide $1.1 million in new incentives to support Nova Scotia enterprises.

We will also invest in our people.

Because prosperity requires increased productivity, our government will focus on skills development.

Through a combination of more than $5 million in funding from the Labour Market Agreement and the Strategic Training and Transition Fund, we will increase and focus investments in several areas.

Our government will invest in training for the jobs Nova Scotians need. We will assist small business in addressing human resources issues. We will invest in a system that recognizes prior
learning. We will help Nova Scotians improve their literacy and essential skills. And we will encourage disadvantaged citizens to participate in the labour market.

Nova Scotia is indeed Canada’s learning province. As I’ve heard time and again during the Back to Balance sessions, education is a priority for Nova Scotians.

It is also a priority for our government. To further underscore that fact, we will create 250 new seats at the Nova Scotia Community College targeted to high demand trades and professions, so that Nova Scotians will be ready for tomorrow’s jobs.

We will provide a tax rebate of up to $15,000 over six years for university graduates and up to $7,500 for college graduates. This rebate is being provided for those who stay and work here at home, returning about $17 million into the hands of Nova Scotia’s best and brightest in 2010–2011.

Our government knows that schools are often the heart of any community. That’s why we will invest $2 million to help support and invest in community schools—keeping another important commitment.

Along with stimulus dollars, our government will partner with the private sector to attract the investment that will ensure prosperity is shared from Cape Breton to Yarmouth.

Our government will focus on increasing productivity, innovation and competitiveness.

To ensure Nova Scotia remains one of the most connected jurisdictions in North America, an additional $4.4 million will be spent completing the broadband project, providing high-speed access to all areas of the province.
Enhanced efforts on market intelligence and sector development will ensure we strengthen traditional trade links with the United States, and seize emerging opportunities in the Caribbean, the European Union, Vietnam and India.

Our government will pursue every opportunity to become a strategic gateway to North America, showcasing our critical links to the global transportation system.

Notre gouvernement misera sur son travail avec les communautés, les entreprises et les particuliers pour promouvoir le tourisme et les expériences de voyage destinées à un créneau spécifique du marché. Nous appuierons la préparation de la soumission visant à faire inscrire Grand-Pré à la liste des sites du patrimoine mondial de l’UNESCO, qui inclut déjà le Vieux Lunenburg et les falaises fossilières de Joggins. Notre industrie culturelle continue de faire rayonner notre province à l’échelle nationale et internationale.

Our government will build on its work with communities, business and individuals to promote tourism and niche travel experiences. We will support the preparation of an application to have Grand Pre named as a UNESCO World Heritage Site, joining the Old Town of Lunenburg and the fossil cliffs at Joggins. Our cultural industry will continue to shine a spotlight on this province nationally and internationally.

Our government is committed to ensuring Nova Scotia’s traditional industries remain strong and competitive.

Later this year, our government will release a ten year strategy designed to help Nova Scotia’s farmers develop new opportunities, manage risk and become more environmentally sustainable.
A new aquaculture strategy will also be released, and by the end of this year, a new approach for managing our forests, minerals and parklands will be in place.

In the months ahead, Communications Nova Scotia will take on the role of marketing and promoting Nova Scotia’s primary industries in a coordinated, innovative and cost-effective manner. Marketing the province as the place to live, work and raise a family will also be a key piece of the Communications Nova Scotia mandate.

To ensure government’s efforts are properly targeted, responsive and rooted in reality, our government has established a Premier’s Council on the Economy. The council is made up of prominent members of business, labour and voluntary sectors.

This council will provide advice on strategies and actions to grow the economy and will act as a sounding board on government initiatives for labour force development and fiscal management.

Nova Scotia will take its rightful place as a leader in the renewable energy sector.

Last summer, we announced a target of 25 per cent renewable energy by 2015—the most aggressive standard of any government in North America.

This government knows that going green will grow the economy, and will invest $24 million in energy conservation and programs for energy efficiency.

**Protecting Programs and Services**

As the Economic Advisory Panel pointed out, the size of the financial challenge means that new revenue options have to be considered.
As I mentioned previously, of the $1.4 billion gap identified by the Expert Advisory Panel, $1.1 billion will be found through expenditure restraint. About $300 million will be gained through increased revenue.

In other words, for every new dollar of revenue, our commitment is to find over three dollars through fiscal discipline.

Effective July 1st, the Harmonized Sales Tax will be restored to 15 percent, returning the HST to the level it was at for nine of the past thirteen years. This measure will provide an additional $215 million in revenue this year.

During the Back to Balance process, a majority of participants said that they could accept an HST increase only if those with low and modest incomes were protected.

We have listened, and we agree.

**Making Life Affordable**

To fulfill our commitment to make life more affordable, our government will introduce a new Affordable Living Tax Credit.

Ce crédit que nous mettons en place est d’une valeur de 70 millions de dollars et il remettra de l’argent dans les poches des Néo-Écois à revenu faible ou modeste.

Cette importante mesure signifie que les foyers dont le revenu est inférieur à 30 000 $ recevront des paiements semestriels, semblables au crédit pour TPS. Le remboursement correspond à environ 240 $ par foyer et 57 $ par enfant à charge chaque année. Les personnes qui gagnent jusqu’à 34 800 $ recevront également une portion du crédit.
The credit we are implementing is valued at $70 million and will put that money back into the hands of Nova Scotians living on low or modest incomes.

This important measure means that households earning less than $30,000 will receive quarterly payments, similar to the existing GST credit. It will return about $240 per household and $57 per dependent child every year. Those earning up to $34,800 will also receive a portion of the credit.

This is the right decision for Nova Scotia families.

We will also make a number of vital household items more affordable.

By means of a point-of-sale rebate, our government will remove the provincial portion of the harmonized sales tax on children’s clothing and footwear.

To be clear, the new point-of-sale rebate means a rebate of all of the provincial tax.

We will also remove the provincial portion of the HST on feminine hygiene products and on diapers.

These new measures will come into effect July 1, 2010, and will return approximately $11 million to families in every region of the province.

This government is also making life more affordable for senior citizens.

From the time of my first election campaign in 2001, I have been deeply influenced by the number of seniors who would say to me simply “remember the seniors.” That’s why I was so proud to be part of a caucus, led by the now-Premier, that successfully fought
to end the injustice of having seniors in long-term care facilities pay for their own health care.

We will ensure that any senior who receives the Guaranteed Income Supplement will no longer have to pay any provincial income tax. This means about $12.5 million will be returned to about 18,000 senior citizens across the province.

Today, with this new measure, we once again “remember the seniors.”

And of course, seniors with low and modest incomes will also be eligible for the Affordable Living Tax Credit.

We are taking additional steps to make life more affordable for families in every region of the province.

I am pleased today to announce a new Poverty Reduction Credit. This credit will return about $3 million annually to about 15,000 individuals living in poverty, many of whom are disabled. This credit will amount to $200 annually.

Our government is providing assistance to those who must travel outside of the province for medical treatment. Patients who need treatment not available here at home may be eligible to receive up to $1,000 for round-trip travel costs and $1,500 for accommodations for up to 12 medical visits a year.

I am also pleased to announce today that our government will invest $2.5 million to help low-income homeowners improve the energy efficiency of their homes and reduce their energy bills over the long term.

Let us not forget that this year the provincial government will return almost $84 million to Nova Scotians with the removal of the provincial portion of the HST on basic home energy.
That was one of our key commitments when in opposition. In last fall’s budget, we completed that commitment, so that all Nova Scotians now see their savings on every electricity bill.

We recognize that access to safe and affordable housing is a necessity for Nova Scotians but remains out of reach for some. That’s why we will invest $128 million on building affordable housing units and upgrading existing ones across the province.

**Cumberland County**

This government is well aware of the cross-border shopping issue in Cumberland County, the only one of our counties sharing a land border with another province. This point was driven home to me during the Back to Balance sessions.

As we were reminded last week in the Utility & Review Board decision on gasoline prices, cross-border shopping is connected to factors such as the proximity of Moncton, different criteria for setting retail milk prices, differences in the rate of motive fuel tax, and large differences in the rate of tobacco tax linked to New Brunswick’s attempts to lessen smuggling across its border with Quebec.

All of these issues are complex, and existed long before this government came into office.

We recognize, however, that the measures announced in this budget may pose an additional challenge for retailers in Cumberland County. I will shortly be travelling to Cumberland County to meet with local municipal and business leaders to discuss how, together, we can address this issue.
Other Revenue Measures

When seeking new revenue, we believe that it is better to focus our revenue efforts on a consumption tax like the HST, with appropriate credits and rebates, rather than on personal or corporate income tax.

This was, once again, a message received from the Back to Balance process.

We have listened, and we agree.

I am therefore pleased to say that there will be no general increase in personal income tax, nor will there be any increase in corporate income tax.

Indeed, the basic personal deduction will increase as scheduled. The province is increasing the basic personal amount exempted from income taxes by $250 per year over a four year period. This represents an increase of $1,000, almost 14 per cent, bringing the basic personal amount to $8,231 in January 2010, representing a small tax saving for all Nova Scotians.

The large corporations capital tax will also decrease as scheduled.

Only one other measure will be taken on the income tax side.

We accept the principle that from those who earn the most, more can reasonably be expected. We will suspend the current surtax and substitute a fifth tax bracket at the rate of 21%. This bracket will only apply to those with taxable income over $150,000. This new bracket will raise a net amount of $31.4 million.

The substitution of a new bracket for the surtax is intended solely to assist in the return to balance. When balance is reached, this measure will expire.
During the Back to Balance sessions, I also heard strongly and consistently that the government should not turn to the motive fuel tax, also known as the gasoline tax, for more revenue.

We have listened, and we agree. There will be no increase in the motive fuel tax.

**Conclusion**

Getting back to balance is going to take some time and a lot of hard work.

We’re ready. Today, we begin that process. We begin the road back to balance.

I wish to conclude by once again thanking the Nova Scotians who participated in our Back to Balance sessions. Your values and priorities are central to the measures contained in this budget and in the approach we will take in the months and years ahead to make life better for you and your family.

With this plan, and this budget, we will bring better health care to you and your family.

We will create secure jobs and grow the economy.

We will make life more affordable.

We will get Nova Scotia back to balance and ensure that government lives within its means.

In the decisions we have made, and those still to come, we will be reasonable and responsible. We will be tough when we have to be. We will be compassionate and we will always be fair.

Thank you.