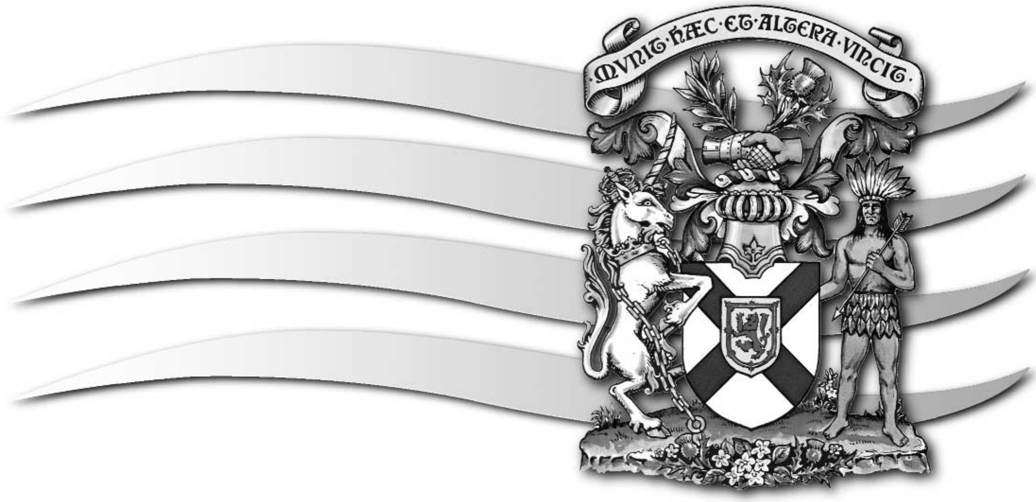
Budget Bulletins

Province of Nova Scotia



for the fiscal year **2001-02**

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE

NOVA SCOTIA
Department of Finance

Budget
Bulletin

Fiscal Plan: On Track

- *2000–01 deficit lower than anticipated*
- *2001–02 budget on track*
- *$130-million tax cut in 2003–04*

Halifax: March 29, 2001

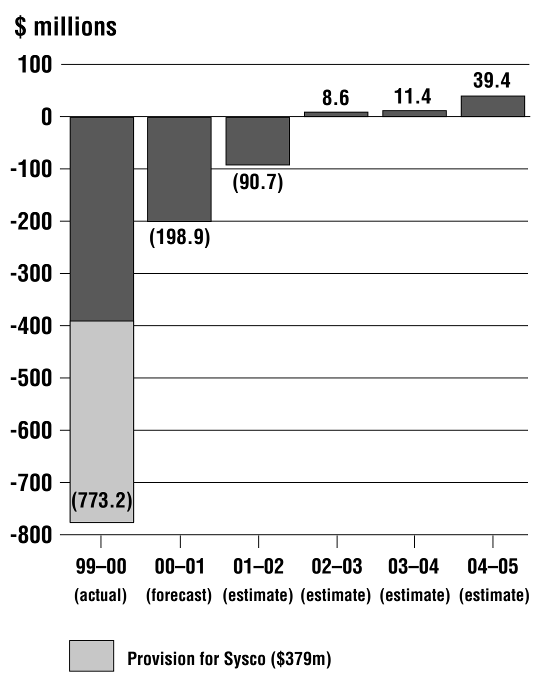
The four-year plan the Nova Scotia government implemented last year to achieve financial stability is on track. In fact, year one finished ahead of projections. A deficit of $199 million is expected to be recorded in 2000–01, an improvement of $69 million over the amount budgeted.

For year two, 2001–02, a deficit of $91 million is expected to be followed by small surpluses in 2002–03 and 2003–04. In the fourth year, 2003–04, Nova Scotians will receive a 10 per cent provincial income tax cut that will put more than $130 million back into the hands of the people who earned it.

Critical to the plan is controlling expenses, especially in health. The plan aims to keep spending growth lower than the increase in revenues for each year.

Solid economic growth has resulted in higher-than-budgeted personal income tax and HST revenues in 2000–01. These provincial-source revenues are important, because they reflect economic growth in Nova Scotia with more people working and higher consumer spending. This revenue has enabled the government to achieve its first-year target and plan investments for 2001–02, which will yield long-term results.

Fiscal Plan 1999–2000 to 2004–05
Provincial Surplus (Deficit)



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Budget **Bulletin**

Improved Support for Children and Families

- *$9.1 million for Early Childhood Development Program*
- *Nova Scotia Child Benefit increases*
- *$3 million to support children with special needs*

Halifax: March 29, 2001

Nova Scotia is increasing its commitment to help children get the best possible start in life.

To support new parents and young children, $9.1 million will be invested to create the Early Childhood Development Program. This program will include a comprehensive home visiting program for expecting and new mothers—in their homes, in the hospital, and back in their communities. Over four years, this program will also help create new nursing positions and "lay" visitor positions to support the new mother and her family as much as possible.

Government also recognizes the need for enhanced child-care services and will provide start-up grants for non-profit child care centres and new grants to increase salaries to retain and recruit competent, caring staff to look after our children.

Addressing child poverty is also a top priority for government. Beginning in July 2001, the Nova Scotia Child Benefit (NSCB) will increase and combined with the National Child Benefit will provide a standard benefit of $1,700 per year to all children in low-income families. The combined standard benefit will replace children's personal allowances in social assistance budgets. This restructuring of rates will eliminate future clawbacks of the NCB from social assistance recipients. Also, because it is now indexed to the cost of living, families receiving social assistance can look forward to annual increases.

Community Services' budget also includes taking on an additional $11 million in social assistance costs from municipalities as part of the municipal-provincial agreement signed in 1998. This is year four of a five-year plan for the province to assume the full $44-million cost of social services.

Children of all ages have different needs. Approximately 17 per cent of school-aged children receive some form of special help. This budget continues to support children with special needs with an additional $3 million to improve programs and services. Funding will help build a comprehensive special education system that provides a more consistent and accessible level of service province-wide. As well, professional development support for teachers and others in the education system will assist them in specialized planning and supports for students with special needs.

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Budget **Bulletin**

Successful Literacy Program Expands

Halifax: March 29, 2001

Every student entering junior high school in Nova Scotia should be able to read and write—the basic building blocks of success.

To help achieve this goal, giving our children a solid foundation in reading at an early age—and evaluating their progress at critical grade levels—is a government priority. This budget directs more than $900,000 toward additional literacy supports and testing. This program is one example of government strategically and responsibly investing in the priority areas of Nova Scotians.

This coming school year, the Active Young Readers Program will be expanded to include students in grades 4 to 6 and will focus on "reading to learn." This program expansion has its roots in the successful elementary literacy program and will introduce more assessment measures to ensure young Nova Scotians are on the right track to achieving proficient reading skills before leaving junior high.

The new 4-to-6 program includes new books and resources for students and new training and professional development opportunities for teachers.

Additionally, government is committed to evaluating and assessing reading skills at critical grade levels. Through testing of their reading and writing skills, students who need additional assistance will be identified and provided support to give them the extra attention they need to meet their full potential in the language arts.

This coming school year, the results of the grade 6 language arts assessment to evaluate students' reading and writing skills will be reported to parents for the first time. This will eventually be followed by an additional assessment in grade 9. Students are already assessed in grade 12.

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NOVA SCOTIA
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Budget
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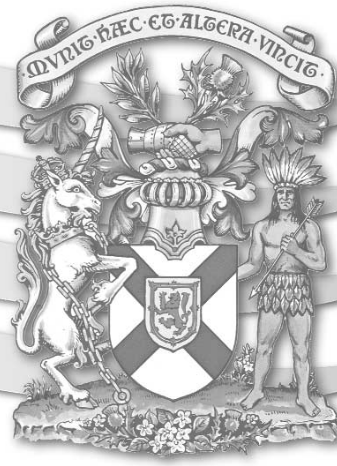

Public School Funding

Halifax: March 29, 2001

Education is a clear priority for Nova Scotians.

Recognizing the importance of a high-quality education for our children, government is increasing funding to school boards in 2001–02 by $13 million—a 2 per cent increase.

In addition to direct funding to school boards, approximately $1.2 million in funding for the Department of Education has been earmarked to support a number of new public school initiatives, including: expanding the successful Active Young Readers program to continue promoting reading skills and testing; piloting a Canadian history course in both English and French; continuing support for racial equity initiatives; and ensuring a safe learning environment for students and teachers through a safe schools initiative.

In 2001–02, seven new schools will be completed, and construction will begin on four more as part of the government's announced commitment to construct 17 new schools through 2004.

With this budget, the government continues to make an investment in education at the same time that student enrolment is declining. Verified student enrolment numbers (as of September 30, 2000) show a drop of 2,279 students—a 1.45 per cent decrease— while funding to school boards is increasing by 2.1 per cent. It is projected that enrolment levels will have continued to decline by another 2,000+ students when numbers are verified at the end of the current school year.

In addition, on a provincial basis, the student-to-teacher ratio is projected to improve slightly from the current average of 16:1.

The following table shows a 30-year trend in student enrolment and total teachers in the public school system.

Year	*Students*	*Teachers*
1960–61	178,563	6,604
1970–71	215,889	10,241
1980–81	185,585	10,904
1990–91	165,739	10,417
1999–2000	158,205	9,611

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Budget **Bulletin**

What It Means for Seniors

- *$1.5 million to improve access for seniors to continuing care province-wide*
- *Long-term care funding increased $19 million to $175 million*
- *Home care funding increased to $110 million*
- *$50 per day fee for long-term care patients in hospital*
- *No change in Pharmacare premiums or co-payments*

Halifax: March 29, 2001

As Nova Scotians grow older, government is making strategic investments to ensure the programs seniors need can be sustained, now and into the future. This is being accomplished by making decisions based on evidence and identifying ways to manage growth in costs.

Government will invest $1.5 million to begin expanding a new, streamlined system for seniors accessing continuing care. All seniors will have their needs assessed, ensuring they receive the right level of care. Those with greatest needs for nursing home care will be placed first. Early results show that the system—being tested in eastern Nova Scotia—has reduced wait lists for nursing homes, while freeing up expensive acute care beds in hospitals. As the system expands province-wide, seniors will receive more appropriate care, delivered more cost-effectively.

As seniors move out of expensive hospital beds, investments are being made in alternative levels of care. Long-term care funding will be increased by $19 million to an estimated $175 million in 2001–02. This funding includes wage and benefit increases for staff in long-term care facilities to help retain competent and caring individuals to work with Nova Scotian seniors.

As well, demand is expected to increase for home care or other community supports, so seniors can remain at home longer—closer to family and friends. To respond, investment in home care will increase $10.5 million to an estimated $110 million in 2001–02.

The combined, long-term effect of these investments will see seniors getting more appropriate care, delivered more cost-effectively. As an interim measure, government will expand province-wide a policy—tested in Cape Breton last year—that recognizes what a hospital bed is being used for. Once a senior has been medically discharged, they will be charged $50 a day while they remain in hospital as a long-term care patient. This fee is lower than what they will pay once they enter a nursing home, but brings some consistency in how all long-term care patients are treated. While expected to generate $1 million in 2001–02, this revenue is expected to decline, as nursing home wait lists drop, and seniors are placed more quickly.

In 2001–02, Pharmacare premiums or co-payments will not increase. However, drug costs continue to grow faster than any other component of the health care system, and, as our population ages, more seniors will need to rely on the program. Over the next year, government will work with physicians, pharmacists, and seniors' groups on ways to ensure the program remains accessible and affordable. Along with continuing efforts to manage growth in costs, this work will also consider how future increases can be implemented as fairly as possible.

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Budget **Bulletin**

What It Means for Rural Nova Scotians

- *$10 million to improve rural roads*
- *$1 million to build on tourism, culture, and heritage*
- *$500,000 to expand community-based transportation services*
- *$1.3 million more for silviculture*
- *$2.2 million to provide agricultural specialist services*
- *$125,000 more for fisheries enforcement*

Halifax: March 29, 2001

The 2001–02 budget includes several initiatives specifically designed for Nova Scotians living in rural areas.

Again this year, the Department of Transportation and Public Works will spend $10 million on improving rural secondary roads. These are roads that are largely unpaved and more susceptible to damage from frost, rain, and other weather conditions. They are often important links within and between rural communities.

The $10 million will be used for asphalt patching, regravelling, ditching, and brush clearing. This brings to $18 million the total amount spent on or committed to improving rural roads since April 1, 2000.

Transportation-related issues are often dominant in rural areas. The lack of public transit means people without access to a vehicle or unable to drive are dependent on friends or family for transportation. This problem is especially felt among people with low incomes, seniors, and people with disabilities.

To help fill this void in rural areas, Service Nova Scotia and Municipal Relations will make available grants to community-based transportation services and help establish them where they do not currently exist. These services are often provided by service organizations or other non-profit community groups. They generally focus on providing transportation to medical appointments for seniors and people with disabilities. The new funding will help service providers to maintain what they do now and expand into providing transportation to skills training and other education opportunities.

SNS&MR will provide technical advice and assistance as well as $500,000 in grants to community-based transportation services across Nova Scotia. In year two of the program, municipalities will be asked to contribute. While municipal involvement will be voluntary, it will also be critical to continued operation of this program.

The tourism, culture, and heritage sectors are making significant contributions to Nova Scotia's economy and quality of life in all regions of the province. The government's goal is to make tourism a $1.5-billion industry by 2004 and to capitalize on investment opportunities and development potential in our culture and heritage sectors. This year, the Department of Tourism and Culture will invest an additional $1 million to build on the tourism, culture, and heritage strengths in rural Nova Scotia.

Nova Scotia will continue to aggressively market the province in partnership with the Tourism Partnership Council to promote Nova Scotia as a year-round destination. To support the goal of industry and government to build a 12-month season, we will be investing in provincial and community visitor information centres to foster extended operations and encourage year-round service.

The Department of Tourism and Culture will also make new investments in cultural industries and support opportunities for cultural development at the regional and community level. To generate increased export sales of cultural products and to support communities in pursuing cultural development priorities, $400,000 will be directed at new partnerships with cultural producers and distributors.

Pilot initiatives were introduced in 2000 aimed at economic growth in rural communities in the tourism, culture, and heritage sectors. These will be continued, with $100,000 targeted at community museums for the preservation and promotion of Nova Scotia's heritage and $500,000 to assist initiatives designed to support economic and industry growth through partnerships with tourism and culture businesses.

Traditional industries continue to play an important role in the Nova Scotia economy and are the lifeblood of many rural communities. Approximately 18,000 Nova Scotians are employed in fisheries, agriculture, and forestry alone. Properly managed, these industries can continue to provide employment for many years to come. It is with this goal in mind that the government will be making additional investments in traditional industries, particularly fisheries, agriculture, and forestry.

The Department of Natural Resources will spend an additional $1.3 million for a total of $3.5 million on silviculture on Crown land. Silviculture is a forest management practice that includes such activities as weeding, thinning, and planting to grow a healthier and more productive forest. By using silviculture, each hectare of managed woodland can produce three to four times more wood than a natural stand.

The Department of Agriculture and Fisheries is making good on its commitment to provide professional consulting services to Nova Scotia's farmers. The department has budgeted $2.2 million for the Agricultural Development Institute (ADI), which will begin offering services this spring.

ADI will be hiring eight specialists to offer advice and services in livestock, horticulture, forage and field crops, pest management, and weeds. The ADI specialists will also monitor for diseases and insects and support training and education initiatives.

In order to preserve and protect Nova Scotia's fisheries resource, the Department of Agriculture and Fisheries will increase its enforcement budget by $125,000. This money will be used to hire more enforcement staff and legal services.

The Department of Natural Resources will be following through on its plan to end full-time services at the Stellarton drill core library. The facility will still be available to the industry on an as-needed basis. Mining industry representatives have been kept abreast of these developments since last year.

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Budget
Bulletin

Turning the Corner on Roads and Highways

- *$49 million (including $11 million in new money) in capital funding for roads and bridges*
- *Pressure Ottawa for National Highway System funding*

Halifax: March 29, 2001

Our highways are critical links to our communities and the health of our economy. However years of underfunding have impacted on our roads and bridges. Last year, government started to reverse this trend by not cutting the highways budget. This year, government is going even further by committing $11 million in new capital funding to the repair and maintenance of our roads and bridges.

The Department of Transportation and Public Works has identified almost 11,000 kilometres of 100-series and secondary highways that need rehabilitation. The cost today to bring these roads up to acceptable standards would be $3.4 billion over the next 10 years. This includes $560 million just for replacing and fixing bridges, $1 billion for twinning and expanding primary and secondary highways, and $1.4 billion for improving existing primary and secondary highways. The remainder is required for badly needed paving and upgrading of rural and local roads.

The Nova Scotia government recognizes the severity and the enormity of this problem and is committing $49 million in capital funding to road and bridge repair in 2001–02. This is $11 million more than the previous year, but falls far short of the $340 million that is required over each of the next 10 years.

The $11 million is part of a three-year plan to fulfill government's commitment to increase funding for road construction by $31 million.

A major effort to convince Ottawa to fund a fair and appropriate share of highway construction will continue. About 70 per cent of our 100-series highways are part of the National Highway System. Nova Scotia is expected to receive $2.5 million from Ottawa in 2002 to assist with highways. This is less than 2 per cent of the estimated $137 million Nova Scotians paid last year in federal fuel tax.

Nova Scotia has also set aside $5 million in capital funding in this fiscal year to begin the twinning of Highway 101 if federal cost-shared dollars become available.

The total budget for the Department of Transportation and Public Works appears smaller compared to 2000–01, but this is because the office-leasing budget is now distributed among individual departments. In previous years, leasing costs for all of government were located in TPW's budget.

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Budget **Bulletin**

Closing the Skills Gap

- *$4.2-million increase for NSCC*
- *Virtual Campus expands*
- *$200,000 Youth Pathways and Transitions program*
- *$1.5 million for Nova Scotia School for Adult Learning*
- *$5 million more for universities*
- *$15 million for research*

Today, there are more jobs than qualified people to fill them, yet our unemployment rate is 9.1 per cent.

Many of these jobs require technical, skills-oriented training. Yet, although Nova Scotians are among the most highly educated in the country, of those who go on to post-secondary education, just 20 per cent go to community college while 80 per cent choose university. The national average of Canadians choosing community college is 43 per cent. As a result, we need more people with skills to fill new jobs in industries like high tech, construction, and the offshore.

Making sure Nova Scotians are prepared to harness opportunities and jobs in the new economy is what closing the skills gap is all about. The 2001–02 budget includes a number of measures to support training, higher education, and lifelong learning and to strengthen Nova Scotia's research capabilities.

Operating grants to the Nova Scotia Community College (NSCC) will increase by $4.2 million, to help create up to 200 more seats, expand program options, and develop student skills to meet labour market demands.

Studies have long shown the positive relationship between education, employment, and income. NSCC will expand its Virtual Campus to make opportunities available outside of traditional classroom learning. More than 800 Nova Scotians enrolled in NSCC's Virtual Campus receive the programs and training they need to upgrade their skills without having to leave home or work.

Preparing career-focused high school students with basic employability skills and raising awareness about opportunities in their local communities and at community college is the focus of the new $200,000 Youth Pathways and Transition initiative. Beginning in middle school, Nova Scotia youth will use individual career portfolios to track the basic skills needed for employment. Nova Scotia will be one of the first provinces to use the Employability Skills 2000+ list developed through the Conference Board of Canada. This means that, for the first time, career preparation will be linked to the skills needed for success identified by educational and business leaders. The program also provides students with the option of connecting their high school courses to specific programs at the Nova Scotia Community College and gaining recognition for credit in specific college programs.

As part of the government's focus on providing adult Nova Scotians with access to a high school education, $1.5 million is directed to the new Nova Scotia School for Adult Learning. The school was announced in late 2000 as part of the government's Adult Learning Initiative, which included the creation of a Nova Scotia High School Diploma for Adults.

Scheduled to open in September, the school will coordinate the delivery of adult education programs from basic literacy to high school completion and grant the Nova Scotia High School Diploma for Adults. The funding will be used to cover course tuition at various partnering agencies across the province (i.e., NSCC, Collège de l'Acadie), school boards, and program administration.

Nova Scotia's universities will receive additional funding again this year, the fourth consecutive increase, recognizing the important role universities play in Nova Scotia's knowledge economy, research and innovation. Total operating funds will increase from $196 million to $201 million, or a total of $5 million.

Innovation is the source of economic growth—creating and commercializing ideas—and Nova Scotia's research interests have been significantly under-funded for too long. A total of $15 million will be made available to universities, colleges, and research institutes to support research, knowledge, and innovation. Government is allocating $15 million from the 2000–01 budget to lever funding through the Canadian Foundation for Innovation and other partners. This could dramatically increase research and development in Nova Scotia by as much as 40 per cent.

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Budget **Bulletin**

Keeping Our Water Safe

- *$850,000 Clean Water Strategy*
- *$195 million available for "green" infrastructure*
- *School water testing*

Halifax: March 29, 2001

Water is the life blood of the environment. In Nova Scotia we are lucky to have plentiful supplies of good drinking water sources, and government wants to keep it that way. Waste and wastewater treatment, water testing, public health practices and education underscore our need for maintaining and improving water quality and quantity.

Environment and Labour is the lead department in managing Nova Scotia's water resources and will soon release its Clean Water Strategy. A total of $850,000 will be dedicated to the efficient and sustainable use of Nova Scotia's water resources, proactive management, education, and protection of our ecosystems.

The Government of Nova Scotia will implement its water resource management strategy on behalf of, and with the help of, all Nova Scotians, recognizing that the state of the public's water resources is critical to the province's future.

A minimum of $195 million from provincial, federal, and municipal governments will be available under the Canada–Nova Scotia Infrastructure Program for the renewal of the physical infrastructure that communities need to attract and support economic growth, beginning with the most basic—the infrastructure that provides us with clean, healthy water.

Under the six-year Canada–Nova Scotia Infrastructure Program, the Nova Scotia government will invest $65 million in individual projects with a focus on "green" infrastructure, including projects related to water and wastewater systems, water management, solid waste management, and recycling. Approximately $13 million of the province's portion will be spent in 2001–02. This brings the total investment in this program since 1994 to $147 million, which will result in $441-million-worth of work completed around the province by 2006.

Approximately $1 million of this year's budget is allocated for the safety of children in Nova Scotia's schools, including regular water quality testing and maintenance. School boards are responsible for implementing many of the occupational health and safety regulations, and it is important to ensure they have the tools to keep teachers, staff, and students safe.

Government is thinking in terms of sustainable development—using and managing resources and the environment in a way that maintains a strong economy and preserves a healthy environment today and in the years to come.

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Budget **Bulletin**

Offshore Royalties Increasing

- *Royalties to reach $14 million in 2001–02*
- *$1 billion committed to exploration*

Halifax: March 29, 2001

Relatively strong North American natural gas prices are setting the stage for significant increases in royalty revenues for the Province of Nova Scotia. Royalty payments from the offshore are estimated to reach $14 million in budget 2001–02 compared to the original budget 2000–01 estimate of $6 million. The royalty rate on the Sable Offshore Energy Project (SOEP) is fixed at 1 per cent of gross revenues for the first three years of the project (2000, 2001, and 2002). The rate cap is removed at the end of 2002.

The government expects project owners to have recovered a significant portion of their investment when the rate cap is removed. The minimum royalty payment rate at that time will be 2 per cent of gross revenues. The actual rate depends upon how much investment recovery has occurred.

Once the investment has been recovered and a reasonable rate of return is achieved, royalty rates switch from being calculated on gross revenues to being calculated on net revenues. Net revenues are the cash flow from a project less the direct expenses.

On the Sable Project, the minimum net revenue royalty rate is 30 per cent topping out at 35 per cent. Based upon the assumption of strong natural gas prices in the short term, net revenue royalties are forecast to begin as early as 2005 or 2006. Current projections show yearly royalty revenues from SOEP to peak at around $300 million annually. SOEP offshore royalties will be a significant revenue generator for the province for the next 20 years.

The current long-term projection of $2.5 billion in royalties from SOEP is based upon the assumption that natural gas prices will fall to lower levels in 2003. This projection is based upon a long-term average natural gas price of $2.50 US/MMbtu netback at Goldboro (i.e., sales price before transportation tolls) in constant 1995 dollars.

Future offshore energy projects in Nova Scotia fall under the province's "Generic Royalty Regime." This regime is designed to encourage risk and exploration in areas and depths where much less is known about hydrocarbon potential. The first project in such a new "high-risk" area has a cap on the net revenues at 20 per cent. Subsequent projects in these and other "low risk" areas would see net royalties rise to 35 per cent.

Prior to the establishment of the generic regime incentives, exploration commitments offshore Nova Scotia stood at approximately $200 million. Since the generic royalty regime was put in place, Nova Scotia has seen an additional $800 million committed to exploration activity in the offshore, for a current total of more than $1 billion on 50 exploration blocks. Forty exploration wells at a cost of $25 to $50 million each are expected to be drilled over the next four years.

The first offshore project under this generic royalty regime is expected to be PanCanadian's billion-dollar, one-trillion-cubic-feet Deep Panuke Project. Nova Scotia is expecting additional royalty revenue from this project, which is scheduled to commence production in 2005. Once a development plan is filed (fall of 2001), the province will be in a position to project royalty revenues for this project.

Based upon the fact that the Deep Panuke exploration program took place in a previously unexplored geological structure, the province designated this area as "high-risk" for royalty purposes before exploration took place.

Royalty revenue projections for the Department of Finance are prepared by the Nova Scotia Petroleum Directorate based upon NYMEX futures market prices, royalty estimates, historic movement of the commodity prices, actual sales proceeds, and terms of sale contracts. Royalty projections for budget 2001–02 are based upon the following assumptions: above-average natural gas prices for 2001 ($4.50 US) and lower, but still above-average prices in 2002 ($3.00 US). The average daily production rate for 2001–02 is assumed to be 520 mmcf/d.

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Budget Bulletin

The Right Tools to Make the Right Decisions

- *Three-year plan to implement health and education information management systems*
- *$9 million committed in 2001–02 to Health information management system*
- *$4 million for education information management system*

Halifax: March 29, 2001

A major investment is being made to ensure Nova Scotia's health and education systems have the information technology tools needed for evidence-based quality planning and long-term decision making.

The Department of Health will invest $9 million as a first step in purchasing information hardware and software that are needed in the Nova Scotia health care system. Implementing the system will take three years.

The new health information management strategy will standardize hospital information provincially in such areas as patient administration, laboratory, pharmacy, diagnostic imaging, and order management. This is a tangible step towards the department's goal of a more efficient and accountable health system that will have the long-term result of improving clinical care.

Electronic health records will begin to replace paper records, making it easier and faster to update patient information and for clinicians and hospitals to access the information they need. A new information management system will also help hospitals learn more about how many patients they are seeing for what services at what time of the day and give a correct read of wait times, information they need to provide for efficient planning.

The government will invest $4 million from its 2000–01 budget in an information management system to help improve the efficiency of school board operations and overall accountability in the system. The system will accommodate the collection of a wide range of public school–related data in order to make the right decisions based on the right information.

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NOVA SCOTIA
Department of Finance

Budget **Bulletin**

Better Accountability for Taxpayers' Dollars

- *Accountability provisions to apply wherever public dollars are spent*
- *Planning and accountability expected from social agencies receiving government funding*

Halifax: March 29, 2001

More than half of the provincial budget flows out to arm's-length agencies, boards, commissions, and the new district health authorities.

To make good on the government's expectation that every taxpayer will be treated with respect and every tax dollar with care, government will take steps in 2001–02 to ensure that all organizations receiving provincial funding can be held fully accountable for the money they spend.

A planning, budgeting, and accountability framework is developed to promote better management overall and improve how we allocate money to our priorities. Treasury and Policy Board will be given a stronger mandate in legislation to require that all funds are carefully budgeted and accounted for, both in government departments and funded agencies and organizations. Annual business plans—along with measurement and reporting on goals—are required for the Government of Nova Scotia as well as departments, Crown corporations, and other consolidated entities. A Government of Nova Scotia reporting document will be published by December 31 this year. Other government-funded entities will be expected to adopt a planning and budgeting framework over time.

Accountability for how they spend public funds will also be expected from the many social and community groups that receive core funding from government. Each year, the departments of Community Services, Health, Education, and Justice contribute more than $45 million in core funding to independent community-based agencies. These agencies provide important services to thousands of Nova Scotians, and the government contribution is often the bulk of their annual funding.

These organizations and the departments will discuss financial accountability measures required by government from the community agencies in return for funding and enter into service agreements. The agreements will be phased in over three years, starting with the recipients of the largest grants.

NOVA SCOTIA
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The Financial Measures (2000) Act imposed a number of accountability measures on direct and indirect government spending. Among these were the requirement that school board and health authorities deficits be made up the following year so that short-term deficits do not accumulate into long-term debt. Another feature is that government departments must fund new programs out of current budgets.

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Budget **Bulletin**

Cost-Recovery Measures

- *Recovering from those who most benefit from a service*
- *Fees that are fair to users and fair to taxpayers*

Halifax: March 29, 2001

All taxpayers contribute towards the cost of providing the hundreds of programs and services available from the Nova Scotia government. However, some Nova Scotians use these programs and services more often than others, and many never use them at all.

The principle behind cost-recovery measures is that the people who most directly benefit from or use a particular program or service should contribute more of the cost of providing the program or service. Putting this principle into practice means determining what level of cost-recovery is fair to the user and fair to taxpayers.

For example, the Child Abuse Registry search is used to check the history of prospective employees. This fee is waived for individuals who, for example, require a search to become a foster parent, adopt a child, or do volunteer work.

The sum of these measures is expected to generate $2 million in revenue.

Following is a summary of cost recovery measures being implemented in 2001–02.

Fee Increases	*Old Fee*	*New Fee*	*Total Generated*
NS Agriculture College, tuition increase	$400/course	$416/course	$150,000
Registry 2000	$40	$70	$1.1 million
Marine plant access	$1/wet ton	$2/wet ton	$30,000

New Fees	*Fee Amount*	*Total Generated*
Well drillers' permit	$100/well	$120,000
Natural gas refueling station	$50	$5,000
Life income fund amendments	$250	$20,000
Child Abuse Registry search	$20	$75,000

Several cost-recovery measures to ensure that industry pays its fair share to help maintain safe water and clean air are proposed by the Department of Environment and Labour over the next two years. For example, the department will start to charge a fee to cover the costs of processing industrial approvals required for the operation of large facilities such as power plants, refineries, and pulp mills.

Industrial Approval Processing Fees		$110,000 (Total)
• Class 1 approval	$6,500	
• Class 2 approval	$2,500	
• Class 3 approval	$1,000	
• Amendment to approval	50% of above fee	
• Approval renewal	$500	
• Approval transfer	$250	
• Variance certificate	$500	

Charges based on sulphur dioxide (S02) air emissions are also proposed. These will help to encourage industries to reduce S02 emissions over a period of time.

Industrial Approval Administrative Fees—Air (SO2) Emissions $175,000 (Total)

• 1,000+ tonnes SO2	$1/tonne
• 100–1,000 tonnes SO2	$1,000 flat fee
• Less than100 tonnes SO2	$500 flat fee

Water users will also contribute to the cost of maintaining safe water through proposed new fees to recover a portion of the costs of monitoring compliance with the terms of written approvals for water systems.

Water Withdrawals

Water withdrawal approvals processing fee	$250	$2,500

Water withdrawal approvals—annual administrative fee $77,000 (Total)

• Hydroelectric	$500
• Industrial, bottled, recreational, agriculture, aquaculture, other approved public drinking water supply	$200

Measures are also proposed that will ensure that large petroleum storage tanks at bulk plants, service stations, industrial plants, commercial establishments, public buildings, and farms are properly inspected and tagged. This initiative will help to minimize the potential for petroleum leaks that are costly and harmful to the environment.

Petroleum Tank Tagging (tag valid for 3 years) $200,000 (Total)

• Bulk plant, motive fuel, commercial, industrial	$300
• Government—NS and municipal	$150
• Residential, farm, non-profit	$75

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Budget **Bulletin**

Debt and Debt Servicing

- *Province's Net Direct Debt on March 31, 2001 is forecast to be almost $11.5 billion*
- *Interest payments are budgeted at $909 million in fiscal year 2001–02*

Halifax: March 29, 2001

In the fiscal year 2001–02, the Nova Scotia government will pay more money in interest on the provincial debt than it will on educating children in public schools. Without a change in financial direction, children in Nova Scotia's primary class of 2001 could still be paying off the provincial debt when their own children start school in 25 years' time. The only way to start turning this around is to stop deficit financing and begin achieving surpluses.

The province paid $971 million in debt-servicing costs in 2000–01, up from $827 million in the previous year. Most of this increase was due to the assumption of the debt of Nova Scotia Resources Limited, financing of budgetary deficits, interest on P3 school and other leases, and the province taking over from school boards their early retirement pension obligations. The remainder is largely due to currency changes.

In order to refinance maturing debt, to fund the current deficit and other cash requirements, the province expects borrowing to be just over $1 billion in 2001–02. The Nova Scotia government has financed its debt largely through the issue of bonds in the Canadian, United States, Japanese, and European markets. These bonds are rated by credit-rating agencies. Generally, the amount of interest the province pays depends in part on these ratings and the appetite of investors to buy Nova Scotia debt. The higher the bonds are rated, the better the province's access to markets and the lower the rate of interest the province must pay. Nova Scotia's bond issues are generally purchased by underwriters, such as securities firms. These securities firms in turn sell the bonds to investors, such as individuals, pension funds, and insurance companies.

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NOVA SCOTIA
Department of Finance

Budget **Bulletin**

Tax Credit Review Completed

- *HST rebate on new homes capped at $1,500; available only to first-time home buyers*
- *Small Business Tax Credit retained with refinements*
- *Equity Tax Credit extended to Dec. 31, 2003*
- *Labour-Sponsored Venture Capital Corporation Tax Credit to continue with minor changes*
- *HST rebates for fire departments, printed books, and persons with disabilities to continue unchanged*

Halifax: March 29, 2001

In the 1999–2000 budget address, the Minister of Finance announced a review of all provincial tax credits and rebates. The review was intended to ensure that any tax loopholes were closed and that the credits were still meeting the intention for which they were created. Tax credits and rebates are revenues government declines to collect in order to create a social or economic benefit to the province.

The review process began with an inventory of credits and rebates. Consultations were then held with credit and rebate users and accounting and legal professionals. Phase I of the process was completed in April 2000, and changes to six credit and rebate programs were included in the 2000–01 budget. The second and final phase of the review dealt with the following credits and rebates.

HST Rebate for New Housing

The objective of this rebate is to make home ownership more affordable for low- to middle-income Nova Scotians and to encourage construction of new housing. The rebate is available to buyers of newly constructed homes, regardless of price, and is equivalent to 18.75 per cent of the provincial portion of the HST (or 1.5 per cent of the purchase price), to a maximum of $2,250 per home. This maximum is reached at a home valued at $150,000.

Since its creation in 1997 through 1998, this credit has cost $6.6 million. Most claims (86.5 per cent) were for homes costing less than $150,000.

Decision

A major intention of this rebate was to assist low- and moderate-income Nova Scotians become homeowners. As the rebate currently applies to anyone, regardless of the value of the new home, it is not meeting the intention for which it was created. At a time of scarce resources, fairness and equity dictate that government assistance should be directed to those most need the rebate to become homeowners. The rebate will therefore be limited to first-time home buyers, and the maximum rebate will be reduced to $1,500. The maximum will be reached at a home price of $100,000.

These new rules will be effective January 1, 2002. Transition rules will be developed to ensure that individuals building homes during the current construction period will not be affected.

New Small Business Tax Credit

The credit was created in 1986 to assist small businesses during the critical early years of operation by freeing up more working capital. It effectively eliminates the provincial corporate income tax for the first three taxation years of a new small business (two years for those incorporated between 1986 and 1992). Through 1998, more than 1,700 small businesses had qualified for $7-million worth of credits. Surveys have shown that recipient firms had a 72 per cent survival rate, compared to 55 per cent for all businesses. These firms have reported that the most significant benefit of the credit is that it increases the level of working capital available to the company.

Decision

The NSB tax deduction will continue, as it is meeting its intention of providing working capital to new small businesses. In order to maximize the credit's impact on job creation, the following changes will be made:

- The credit will be limited to companies with at least two employees, one of whom cannot be related to a shareholder of the firm.
- Applicants will be required to claim all possible corporate deductions and credits in the year prior to calculating the NSB tax deduction.
- If companies have received a refundable credit for a given tax year, they will not qualify for the NSB deduction.
- Companies will have three years following the end of a tax year to apply for a rebate for that year.

Equity Tax Credit

The ETC was introduced in 1994 and provides a 30 per cent non-refundable tax credit for investments in qualified Nova Scotia small businesses, co-operatives, and Community Economic Development Funds (CEDIF). The credit serves to reduce the amount of taxable income and has a maximum value of $9,000 per individual.

From 1994 to February 2000, almost 3,000 individuals invested $31.5 million in 277 companies and three CEDIFs. These investments resulted in $9-million worth of tax credits. The ETC is due to expire at the end of 2001. As part of Phase I of the tax credit review, the credit for investing in CEDIFs alone was extended by two years to 2003. Surveys have indicated that the Equity Tax Credit encourages companies to obtain equity financing rather than go into debt. The vast majority of respondents (89 per cent) indicated that the ETC enabled them to obtain equity financing that was otherwise unavailable.

Decision

By all measurements, this credit is meeting the needs for which it was created and will be extended to December 31, 2003.

Labour-Sponsored Venture Capital Corporation Tax Credit

The LSVCC tax credit is a non-refundable, 15 per cent personal income tax credit for investments in registered labour-sponsored venture capital corporations. The maximum provincial credit is

$525 per year, and there is an additional federal income tax credit of $750 per year. An LSVCC is a venture capital fund sponsored by a labour organization with the overriding goal of creating jobs by making capital available to small- and medium-sized businesses. LSVCCs differ from conventional venture capital funds in that the LSVCCs have mandates other than achieving the highest return for investors.

Since its inception in 1994 through 1999, approximately $7.5 million in tax credits have been claimed. Funds registered in Nova Scotia have raised about $38.6 million in venture capital in this time. The funds are required to place 60 per cent of all investments raised in the province with Nova Scotia businesses within four years of receiving the investment. This has resulted in a minimum investment pool of approximately $23.2 million (60 per cent of $38.6 million) for Nova Scotia.

The LSVCCs have reinvested $15.8 million of this pool in seven different companies for an average placement of $2.3 million. On average, it takes the LSVCCs 3.5 years to reinvest funds raised in Nova Scotia. As most venture capital deals are made with long-term growth in mind, it could take an additional four or five years before the reinvestment begins to show significant returns to the province in the form of corporate tax revenue on job creation. In other words, almost a decade could pass before the government realizes any benefit from the tax credit expenditure.

Decision

The LSVCC credit is due to expire at the end of 2003. It will be evaluated again to determine whether it should be extended. To hasten the credit's benefit to the province, the reinvestment time frame will be reduced from four years to two years. Venture capital funds are becoming an increasingly important source of equity for Nova Scotia businesses. The Department of Finance will consult with the investment community to identify other options to improve venture capital tax credits.

HST Rebate for Volunteer and Municipal Fire Departments

Municipal and volunteer fire departments provide a vital public service. To help these departments purchase equipment, this program offers a full rebate of the provincial portion of the HST paid on purchases of firefighting vehicles and heavy equipment. The maximum rebate is $7,400 and is reached at a purchase price of $185,000. Vehicles and equipment costing more than this amount are still eligible for the maximum rebate. Since 1997, this credit has cost $179,000.

Decision

The rebate will continue unchanged.

HST Rebate for Printed Books

This program offers a point-of-sale rebate of the provincial portion of the HST on purchases of printed books, audio recordings of printed books, religious scriptures, and periodicals with less than 5 per cent of total printed space dedicated to advertising. This program costs approximately $5 million per year.

Decision

This rebate will continue unchanged.

HST Rebate for Persons with Disabilities

This rebate recognizes the higher cost of obtaining personal transportation incurred by persons with physical disabilities. The rebate is 100 per cent of the provincial portion of the HST and applies to purchases of passenger vehicles for individuals with a physical impairment that deprives them of the use of both their legs. From 1997 to 2000, this program has cost $540,000.

Decision

This rebate will continue with no changes.

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