10 years of raising debate and proposing policy alternatives

Nova Scotia Alternative Budget 2009

Responding to the Crisis Building for the Future

CCPA–NS
Canadian Centre for
Policy Alternatives
Nova Scotia

Acknowledgements

CCPA-NS would like to acknowledge the contributions to this document from members of the NS Alternative Budget working group (members listed below). CCPA-NS would also like to thank Brenda Conroy for layout and design. Any errors or omissions are the responsibility of CCPA-NS and the opinions presented in this document do not necessarily represent the views of each participant or necessarily the views of the CCPA-NS.

Nova Scotia Alternative Budget Working Group

Christine Saulnier, CCPA-NS (Chair)
Alasdair Sinclair
Angella MacEwen
Cheryl Ratchford, Ecology Action Centre
Ian Johnson, NSGEU
Ishbel Munro, Coastal Communities Network
Kaley Kennedy, Canadian Federation of Students, Nova Scotia Representative
Kyle Buott, Halifax-Dartmouth Labour Council
Larry Haiven, Department of Management, St. Mary's University
Mathieu Dufour, Department of Economics, Dalhousie University
Michael Bradfield, Dpartment of Economics, Dalhousie University
Rene Ross, Stepping Stone
Ron Brunton, Nova Scotia Teachers' Union
Stella Lord, Community Coalition to End Poverty in Nova Scotia
Tanis Crosby

ISBN: 978-1-897569-53-5
September 2009

Canadian Centre for Policy Alternatives–Nova Scotia
Box 8355, Halifax, N.S. B3K 5M1
Tel: (902) 477-1252, Fax: (902) 484-6344
Email: ccpans@policyalternatives.ca
Web: www.policyalternatives.ca

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Preamble

The Nova Scotia office of the Canadian Centre for Policy Alternatives (CCPA-NS) was founded in 1999 to provide greater balance to public policy debates in the province. Since 2000, the CCPA –NS has published 'alternative budget' documents to assess the fiscal situation and the choices available to governments in Nova Scotia.

Provincial budgets, like all public policy, are about choices and values. Through the budget, our governments make important choices that have serious implications for the everyday lives of Nova Scotians, now and in the future. As the Nova Scotia Alternative Budget (NSAB) shows, governments could make choices that balance people's needs with viable fiscal policies that give priority to social and economic justice and environmental sustainability.

Introduction

This is the second time that a provincial budget for the 2009-10 fiscal year has been introduced. First introduced in May by the minority Conservative government, the new majority NDP government plans to table essentially the same budget. The NDP suggests that it has no choice but to introduce the same budget with a few additions and subtractions. While it is unclear what subtractions the Dexter government will make, the additions will be those that appeared in the NDP election platform.[1]

The NDP plans to use savings from an expenditure management review to finance these promises and its other promises that are to be phased in over three years. This year, the NDP government pledged to spend a $100,000 on a provincial advisor for emergency care in its bid to keep emergency rooms open, and another $750,000 to cover out of province nonmedical expenses. The NDP government has already followed through on the promise to give eligible new homebuyers a 50% rebate on the provincial portion of the HST until the end of March 2010 at a cost of approximately $10.5 million. The second most costly spending announcement (and election promise) was to provide an 8% rebate on residential power bills, which would cost $15 million this year and $30 million next year.

The NDP plan does include a pledge to create 250 new community college seats in year one and 250 subsidized child care spaces but only in year two. It also proposes to increase and stabilize funding for Transition Houses and Women's Centres in year two. These are the areas that CCPA-NS recommends be prioritized immediately.

Investing in Nova Scotia: Overview of the Alternative Budget

In May, the CCPA-NS and the NS Alternative Budget Working Group released their alternative budget, which contained key recommendations to deal with the current economic crisis. It also proposed ways to build a future that ensure a more viable public sector providing critical services that respond effectively to the needs of Nova Scotians, position Nova Scotia to achieve greater social and economic equality, create a greener economy, and thus a more sustainable and healthy province. We stand by these recommendations because we believe that the spending priorities will assist us to get out of the current economic crisis and position us for both the period of growth that follows and for future economic crises. It is imperative that more Nova Scotians, particularly the most vulnerable, are adequately protected during the current downturn, and able to benefit from/during the recovery.

This 'alternative budget' does not list precisely what should be spent in each government program area, but rather outlines a range of options or alternative choices that should be prioritized by the government. The Nova Scotia Alternative Budget (NSAB) also outlines how much it would cost to meet various strategic goals. Some of these can be fully funded in 2009/10, while others should be phased in over several years.

This NSAB recognizes that to come out stronger on the other side of this economic downturn, Nova Scotia needs a thriving, robust society, which requires a well educated workforce. In order to increase access to a high-quality system the Alternative Budget increases spending in post-secondary education. Success in post-secondary education and in the workforce also hinges on the foundations laid in the primary to grade twelve (p-12) school system as well as the early years (0-5 years of age). The P-12 system has been neglected and needs to have its services enhanced, not just maintained, to ensure more opportunities for students who need additional help – Aboriginal students, and students with special needs, for example.

Investments in child care are crucial to our future, but also to our current workers and their families. Not only do young children benefit from affordable quality daycare, but so do parents (especially mothers who are predominantly the primary caregivers) who are given the opportunity to work or attend school. For many, this helps them to escape poverty. For employers, adequate child care means a more stable workforce with less absenteeism.

Investments in child care must also be directed at day care workers. A critical cornerstone of any successful early learning and child care plan is that workers are motivated, appropriately educated, and sufficiently rewarded. These workers – mostly women – deserve a decent wage for the valuable work they do. Rewarding these workers also contributes to our economy through higher spending and taxes.

Now is the time to invest in social infrastructure and provide more people with opportunities to further their education, gain skills and build their capacities. In addition, this Alternative Budget directly attacks poverty by investing in two key priorities: housing and income assistance. Finally, it makes significant investments in green infrastructure for environmental sustainability.

The NSAB invests $435.7 million, almost half of which we finance by increasing the income tax rate of the richest 1% of Nova Scotians, thus raising $200 million in additional revenue. This tax measure too could be phased in as needed to cover needed expenditures. This recommendation is in keeping with the values held by Nova Scotians and Atlantic Canadians more broadly. When polled, 76% of Atlantic Canadians agree that increasing taxes on wealthier Canadians to pay for programs that benefit all would be an effective way to reduce the growing gap between the rich and the poor.[2] Atlantic Canadians have also expressed support in our spending priorities: 92% support creating more low-cost child care spaces; 94% support creating more affordable housing; 89% support improving income support programs to help poor families with the cost of raising kids; and 84% support making sure welfare rates keep up with annual increase in the cost of living.

With the extra revenue raised via the tax measures proposed and deficit spending for the additional $235.7 million, we recommend investments in four key strategic priority areas. These priority areas would stimulate the economy and ensure that we are moving toward a greener, more equitable, and socially just economic order. As a blueprint for change, this Alternative Budget outlines the benefits of acting on these issues now.

Investing in Nova Scotia: The priorities of the NSAB 2009

Strategic Priority	**Investment $ millions**
Poverty Alleviation and Reduction	$136
Social Infrastructure	$168.1
Early Learning, Education and Training	$95.1
Green Infrastructure and Sustainability	$36.5
Total Investment	**$435.7**

Fiscal and Economic Context

Dealing with the Recession

Some suggest that because the region did not see the same level of growth during the good economic times, it doesn't have as far to fall.[3] Employment gains early in 2008 were enough to offset the losses near the end of the year when the economy did take a downturn. The most recent labour market statistics show that over the past 12 months (August 2008 to August 2009) there was a net loss of 4100 full time jobs in the province and a net gain of 5300 part-time jobs.[4] These numbers are illustrative of a troubling trend away from more permanent and stable jobs, and toward more temporary and precarious employment that is often without benefits. In addition, the net numbers mask the real loss in the province when we had months such as November where in 4400 jobs were lost and March where another 3000 were lost. These numbers tell us little about what these last 12 months have meant for those participating or wanting to participate in the labour market in this province.

We need to develop policies that take into account the differential impact of the recession. The broader labour market trends tell us that as jobs shift from the manufacturing sector to those in retail and wholesale trades, women are making gains in employment, while men have seen a decrease in employment. What do these gains really mean for women when we know that the retail and wholesale trades sector pays less and relies more on part-time employment? We also know that the summer of 2009 was one of the most challenging for students who were looking for work – they faced an unemployment rate of 19.2%. This will have implications for the coming academic year and beyond.

Clearly, many Nova Scotians feel the effects of the recession first hand. But, some are feeling it more than others are. Counting the months left on EI, trying to find a new job or training program, and ensuring the bills are paid – these are some of the everyday stresses of about two-thirds of workers who have access to EI.[5] For those who do qualify, the 55% replacement wage is insufficient to cover living expenses.[6] For those who do not have access to EI and for others who will soon run out, income assistance may soon be their only recourse. This increased pressure on an inadequate income assistance system and the social safety net that has many holes will be felt for years to come. Things will get worse before they get better.

The economic downturn poses new challenges, while some problems that existed before the downturn are exaggerated. For example, while outmigration has long challenged the Atlantic region, recent patterns suggest that this problem is complex. In 2006, a net flow of 13,121 people left Atlantic Canada for other provinces, where as in 2008, net out migration was only 523 people, with 12,369 people moving from Alberta to the region, and

16,275 people from Ontario.[7] The effects of migration patterns on families (often women and children who are left behind), and on the social and economic development of this region need to figure into government policy. Now is the time to better support workers to remain in the province when the rest of the country recovers and higher-paying jobs become more plentiful elsewhere. There is growing evidence that "the quality of places, including the residential environment as well as public spaces and services play a key role in attracting and retaining skilled labour."[8]

During this downturn, our government must play an important role. Before the economic downturn, Aboriginal people, new immigrants, people with disabilities, African Nova Scotians, and women were struggling to attain the same opportunities as other Nova Scotians. They face discriminatory practices that disadvantage and marginalize them in our workplaces and in our society. The government needs to ensure these groups do not lose ground in their struggles. Our government should ensure that the gaps do not continue to grow – between the rich and the poor, so that poverty does not deepen; between men and women, so that pay inequity does not worsen; and ultimately that social, political and economic inequalities are not exacerbated.

Stimulating the Economy

We have heard a lot of discussion about the need for a stimulus plan – public investments that will kick-start the economy to shorten or at least lessen the impact of the recession. According to the G20, APEC, the IMF, and the OECD, governments should intervene to stimulate or boost the economy by at least 2% of GDP in order to avoid the downward spiral.[9] For Nova Scotia, that would amount to $673.4 million dollar investment over and above regular spending this fiscal year.[10] The federal government has contributed 1.3%, which means the province should contribute at least 0.7% to bring the spending to 2%. Should the NDP move forward with the previous government's stimulus package, the province would invest $1.9 billion dollar investment over three years, which is an increase or stimulus of $800 million.[11] The Conservative government plan allocated just over half of the stimulus to roads and highways. The other $1.1 billion is usual capital spending, some of which is spread over 7 years, such as the funding for some schools. With such a significant amount invested into roads and highways ($1 billion of that total $1.9 billion dollar investment) without any equity requirements (see side-bar), and only a small portion of the plan invested ($50 million) in energy conservation, this plan was out of balance and sacrifices environmental goals, as well as social and economic justice.

The wisdom behind some NDP electorial promises likely to be in the budget are also questionable. Take the 8% tax rebate for example. According to the government, an 8% rebate on residential power bills will amount to a saving to Nova Scotians of an average of $10 per month. This is not a significant saving for those who are struggling to pay their bills. It is, however, a significant loss of revenue to the government. Of course should energy costs continue to increase as they have by about 9.5% on average per year, this program could cost the government more than they are projecting and barely offset electricity cost increases for the consumer. A better program would be one that is targeted to those who need help the most such as a guarantee of the cost of electricity via a subsidy to ensure that it remains affordable. In contrast, an across the board energy rebate also benefits those who are not struggling to pay their bills, those who have high energy costs because they choose to own large homes, for example. This program will also benefit landlords who may or may not pass on savings to their tenants. While this program will not likely result in an increased consumption of unnecessary electricity, there is also a risk that without sufficient energy reduction programs, this incentive will increase greenhouse gas emissions. The investment in the proposed energy retrofit (1000 home insulation grants) for year two of $1 million pales in comparison to this program.

Surely the best use of limited government resources is to begin to address the fundamental problems that are at the root of high electricity costs and some people's inability to pay their bills. In other words, we need investments in poverty reduction so that low-income people are not being forced to choose which of the necessities of life they can afford this month. As is outlined in the NSAB, we need an increase in social assistance benefits to reflect reductions that occurred because of system restructuring in 2000-2001 and increases in the cost of living since that time. In the energy sector, we need significant investments in the ageing housing stock – Nova Scotia has one of the oldest housing stocks in the country. The new homeowners tax rebate circumvents the problem more than addresses it. The NDP government should also revisit the decision to privatize NS power and consider whether renationalizing would be in the best interests of Nova Scotians. It should ultimately work to create a more energy secure province.[12]

The provincial government should also balance long-term capital projects with investments in public services and especially social services, which also have an immediate stimulating effect on the economy. We can learn from previous downturns.

In 1990, 91 per cent of the unemployed drew on unemployment insurance benefits in

Creating equal opportunities

The use of provincial stimulus funds for infrastructure projects is a double-edged sword. It could merely entrench the gender status quo – that is more "jobs for the boys." Or it could be an excellent opportunity to open up jobs for women and visible minorities.

Many of the "shovel ready" projects are things like building and repairing roads, bridges, water and wastewater facilities, and building retrofits. Most of the workers hired, especially for the skilled jobs, would ordinarily be white males.

However, there is some history in Canada of using such projects to train and employ women and Nova Scotia should emulate these.

When British Columbia built the Vancouver Island Highway in the mid-1990s, it was the first time that equity measures were specifically included in a project in highway construction in Canada. A crown corporation became the exclusive employer for all construction labour used. The initiative required affirmative action for both women and Aboriginal people from the local areas where the highway was being built, integrating them into the workforce and provided training in trades to them. The initiative required the support of the contractors and the trade unions. But it was the central role of the government and the Office of the Premier that ensured that it worked. Not only were the equity provisions required, but there was follow-up so that the proportion of equity hires reached over 22 percent of the total workforce during peak periods. After the project was completed, a new cohort of qualified women and Aboriginals were able to compete with white men for coveted skilled construction jobs.

Wouldn't that be a wonderful result with which Nova Scotia could emerge from the current financial crisis?

Nova Scotia. Six years later, only 57 per cent of the unemployed qualified for benefits.[13] Because of restrictions on eligibility requirements, more of the unemployed now rely on income assistance – the number of cases grew between 1990 and 1994, from 78,400 to 104,000. During this time, poverty rates in the province also increased. Child poverty, for example, went from 16.8 per cent in 1990 to 23.6 per cent in 1996.[14]

Fostering new economic activity in a recession is imperative. But, we know that the failure rate for start-ups is high. How could the provincial government get the most "bang for its buck?" By investing in a type of enterprise that has longevity built into it. We are talking about co-operatives (see textbox).

Fiscal Context

Revenue:

When the Conservative government released its budget, it estimated total revenues were to be $8.5 billion, $14.8 million above budget, primarily due to the federal crown share adjustment payment. More recently, the annual financial statements show total revenues of $9.19 billion, $27.1 million higher than budgeted.[15]

The Conservative government repeatedly under-estimated revenue quite significantly. The CCPA-NS has argued that this practice is anti-democratic because the government then spends a significant amount of revenue without bringing these decisions before the

Co-operatives: More than a safe investment

A study published by the Québec Ministry of Industry and Commerce in 2001 shows that the long-term survival rate of co-operative enterprises is almost twice that of investor-owned companies. The same pattern is evident across the country.

Nova Scotia has a long history of co-operatives, starting possibly as far back as 1861 with a cooperative store in Stellarton. Early in the 20th Century, Catholic priests Moses Coady and Jimmy Tompkins started the Antigonish Movement of consumer and worker self-help.

In Nova Scotia today, they contribute one-sixth of the economic activity in the province, employ 7000 people and provide 6000 people with homes. 308,000 Nova Scotians are member-owners of the province's 402 co-op businesses. These businesses are often the only provider of services in a community – credit unions are the only financial institutions in 34 Nova Scotia communities.[21]

One of the reasons that co-ops work so well is that they are owned by the members who use their services and/or the workers who work in them. Co-operatives can be found in all types of sectors and industries, including production, retail, finance, agriculture, and services. Ownership provides an incentive for productivity and sound management.

Another reason that co-ops work so well is that they have principles over and above making profits (though many of them are profit-making.) The International Co-operative Alliance has an inspiring list of principles: 1. Voluntary and open membership; 2. Democratic member control; 3. Member economic participation; 4. Autonomy and independence; 5. Education, training, and information; 6. Co-operation among co-operatives; and 7. Concern for community.

Amid this crisis in the capitalist system, caused by greed and runaway speculation, co-operatives are a modest but time-honoured Nova Scotian way to build sustainable and people-centred enterprises.

legislature for debate and discussion as during the regular budget debates. The government also used its under-estimated revenue to claim that it had tough decisions to make and thus dampens expectations for spending. The Auditor General has concerns about revenue estimation and recommends "the revenue estimates included in the budget be prepared and presented in full accordance with generally accepted accounting principles."[16] In response to the recommendation made by the Auditor General in 2006, the government has decided not to implement it. **The NDP government should follow the Auditor General's recommendations and strive to provide a more accurate picture of revenue when it tables the budget.**

A more challenging problem for the NDP is an insufficient own-source revenue base and one that is declining due to the recession. This problem, however, is not just one caused by the recession, but one caused by tax cuts. In a frenzy of tax cuts, governments across Canada, according to CCPA economist Armine Yalnizyan, have shrunk their revenues by close to $250 billion since 1996.[17] That means that we are now $250 billion less able to pay for health care, education, social services, roads, infrastructure and all of the other things we expect government to provide than we were. That means that we are now $250 billion less able to weather financial storms without going into deficit.

Clearly, the NDP should not follow-through with any proposals that would decrease revenue further. It should not implement those that were introduced in the PC budget, which included a measure to cut the small business tax rate in half over three years starting in 2011 at a cost of about $25-30 million per year. The PC budget also included a large corporation tax reduction from 0.2 to 0.15 percent, at a cost of $9.1 million for 2009-10. In addition, there was a measure to increase the basic personal exemption (at a cost of $50 million) with tax credits amounting to a loss of revenue of $19.1 million. In total, these tax measures mean a loss of revenue of $108.1 million. These tax cuts are not justified even as part of stimulating the economy because even the OECD recognizes that tax cuts are an inadequate way to stimulate the economy. Moreover, as a short-term stimulus, the government has to be ready to raise taxes in good times.

In addition to not instituting tax cuts, the NDP should also not follow the PC's tendency to make up some revenue shortfalls or expenditure increases by increasing user fees. The PC budget included a 3 percent increase in legislated user fees, which amounts to $5.2 million from Nova Scotians. User fees are not a fair form of taxation because they put the heaviest burden of payment on those who can least afford to pay them. The fairest form of taxation occurs when those who have more income pay more than those who have less, and that they pay a fair ratio depending on the difference in income between the two. Our tax system is not progressive in this sense and cutting taxes in such a regressive system only benefits those who can afford it the most. Therefore, increasing user fees is triply unfair because those with lower income have to pay a much higher percentage of their income on them. These fees cover everything from ambulance fees, to drivers' license, birth registration, car registration, death and marriages.

Debts and Deficits:

Having sworn to balance the budget, the new NDP government is at pains to square the circle. Once in office, rather than come up with their own analysis of the fiscal situation, the government first contracted an external review of the province's finances. Deloitte Touche subtracted the promises made by the Conservatives and the NDP from a pessimistic prediction for revenues to predict a deficit in 2009-10 of $286 million (adhering to the rules of the Finance Act which forbids use of $105.9 million in offshore accord revenues for current expenditures) and a debt increasing to $16.6 billion by 2012-13 (it's now $12 billion.) There is a renewed fervour over debts and deficits, which is rather overblown for several reasons.

First, debt in Nova Scotia is manageable; CCPA-NS maintains that the best way to assess the meaning of the debt load is to consider a government's capacity to manage it by examining the level of debt relative to the size of the economy (debt to GDP ratio). Increases in the GDP mean that the province has more capacity to raise own-source revenue and thus is better able to finance the debt. The Atlantic Provinces' Economic Council predicts Nova Scotia's economy will grow by 0.8 per cent in 2009, fuelled by the $750-million Deep Panuke natural gas project.[18] Nova Scotia's debt-to-GDP ratio is relatively low by OECD standards: The OECD average debt to GDP ratio is around 51% and NS's was 36.7% in March 2008.

The government's debt-to-GDP ratio does not justify making debt payments at the expense of adequately funding health, education and other social services. In fact, the worse the government could do, is to make cuts to these programs during a recession when they are needed the most. The debt management plan as introduced by the PC government was quite reasonable.[19] The Conservative government was defeated when it introduced a budget in which it wanted to use the offshore monies, which are legislated to go to debt repayment, to fund some of its spending increases, as the CCPA-NS previously recommended.[20]

Second, it is perfectly natural, fitting and, in fact, necessary, for governments to respond to the economic crisis by instituting counter-cyclical stimulus packages and running deficits. As we can see from recent experience, these deficits can be eliminated in a recovery period. In addition, the almost $600 million deficit as predicted by the NDP is not that big once one factors in inflation, because that means the debt-to GDP ratio would not increase durably (see point one). Interest rates are unlikely to be much higher than the rates of economic growth for some time, which means that running modest deficits will not impact the debt to GDP ratio. Moreover, the government is also justified to borrow money if it is used to make strategic investments that contribute to longer term productivity growth and environmental sustainability.

Third, debt payments are not problematic in and of themselves. The greatest part of the debt is owed to Canadians (i.e. we mainly owe this to each other). Federally, a maximum of about 12-13% is foreign-owned and provincially it is a maximum of 30%. The problem is how decisions are made about who pays for what and who gets what. To this end, while the rich are likely to have a majority of the assets (directly or through companies), the tax system is what determines how the burden is shared. If the rich were also paying the bulk of taxes, then they would just be transferring money between themselves. But, because we have almost a flat rate system (and regressive at the very top), all things considered the burden is disproportionately borne on those who can least afford it. The problem is therefore the lack of progressivity in the tax system. The Alternative Budget's tax proposal begins to move us toward such a tax system.

Sharing the wealth: A surtax on the top 1%[22]

A growing body of research is uncovering a disquieting trend in Canada: After decades of relative stability, income inequality – the gap between the wealthy and the poor – is increasing rapidly.[23] What is more, virtually all the income gains accrue to the income earners at the very top of the income distribution. Average real wages (wages adjusted for inflation) have not changed in Canada for about 30 years, and have decreased in Nova Scotia since the early 1990s.[24] Not only has the average Nova Scotian worker not received any benefits from economic and productivity growth in recent decades, they have lost out as their wages have not kept up with inflation. Instead of leading to increased real wages, virtually all of the increased wealth generated by productivity growth has taken the form of higher profits. At the same time as real wages have stagnated, the corporate share of income skyrocketed. This increase translates into higher incomes at the top of the distribution, where stock ownership is concentrated.[25]

The recent increase in income inequality in Canada does not just come from rising corporate profits, since a sizeable portion of the incomes of the top 1% come from wages and salaries.[26] In anticipation of a downturn in revenue in 2009, 2005 tax revenue data is used to provide a most conservative estimate of the possible revenue raising capacity of a surtax. In 2005, the top 0.94% of earners – i.e., approximately 1% – had incomes above $150,000. ***We therefore propose a 30% marginal provincial surtax on any income earned above $150,000, which corresponds approximately to the top 1% of the income distribution in Nova Scotia.*** A tax of 30% on income above that level would therefore have generated additional revenue of 190 million dollars for the government based on 2005 numbers. It can be estimated that the same tax for 2009 would easily generate more than ***200 million dollars***, given increases in inflation and in real incomes at the top of the distribution.

Priority 1:
Investing in Poverty Alleviation and Reduction

The Conservative government did release a Poverty Reduction Strategy (PRS) as a first step to reduce poverty in this province.[27] The PRS as released is problematic for many reasons. First, it has no meaningful targets or timelines for reducing poverty. Second, it appears that the same assumptions that underlie programs that serve the poor remain entrenched. Such assumptions include work as the sole solution to poverty and that providing people with too much income assistance is a disincentive to work. While allowing income assistance recipients to keep their income tax refund does remove an unfair claw-back, the PRS does not address the most significant disincentive – the 70% claw-back of wages.

The PRS included a proposal to index the personal allowance rate to inflation, increasing rates by 3%. The PRS does not, however, increase the base rates provided under the Employment Supports and Income Assistance (ESIA) program for either personal or shelter allowances, which are woefully inadequate.

Further, the Conservative government's budget for 2009-10 proposed freezing the budgets of community organizations that serve the poor and those most vulnerable to falling into poverty. Should the NDP maintain this freeze it would mean that these organizations must cut corners or reallocate valuable time and human resources to seek other funding. Instead of recognizing the value of these programs, and increasing their funding, the freeze comes when these organizations will receive more clients and be under pressure to respond to the needs of people during this economic crisis. It is critical therefore that the government ensure that current service levels are maintained and enhanced.

Nova Scotia has the ability to stay ahead of the curve. We can learn from elsewhere in Canada that has experienced increased need for domestic violence services, for example. Service providers are reporting an escalation in violence perpetrated by men and an increased vulnerability of women who face financial barriers to escaping an abusive relationship. Now, more than ever, we must ensure that our transition houses, our women's centres and other support services, are adequately funded so that preventative measures are in place. These important services mitigate the effects of the recession. ***The Alternative Budget restores core funding and provides additional operating funding for not-for-profit, community agencies by emulating the successful model of the Quebec Secretariat for Autonomous Community Action and by investing $5 million up front to set up a similar secretariat and begin allocating these funds.***

Income Assistance

The current inadequate level of welfare income in Nova Scotia does not allow people to feed themselves a basic nutritious diet,[28] nor to afford adequate housing, let alone break the cycle of poverty with enough resources to regain their dignity and confidence. Welfare income in Nova Scotia peaked in the late 1980s.[29] In "real" dollars (taking into account inflation), a single employable person receives $2625 less in support now than its 1989 peak of $8872; a person with a disability receives $2630 less than in 1991; a single parent with one child receives $1,686 less than in 1991, its peak year, and a couple with two children receives $538 dollars less than in 1989.[30]

Using the after-tax Low Income Cut Off (LICO), welfare rates in Nova Scotia range from 41 to 80% of the poverty line depending on family size. It would take a single person 59% more welfare income to reach the poverty line and a single parent with one child 20% more income (an additional $3,755) just to reach the poverty line (see Table 1).

While there are several different programs that contribute to total welfare income including child tax benefit, and the NS Child benefit, our recommendations are focused in this instance on the ESIA program itself as the cornerstone of welfare in NS. ***This NSAB raises the base rates for ESIA recipients by increasing both personal allowance and shelter rates by 30%, indexing the shelter rate, and providing a monthly allowance to pay for the costs of a telephone.***

While ESIA recipients have access to some "special needs," including for transportation costs and special dietary costs, these are provided at the discretion of the caseworker based on documented needs.[33] Many of these costs should be covered for all recipients. For example, financial costs for telephones should not be considered a special need, but an essential one, that is provided to all individuals on income assistance for health and safety reasons, and not on a case-by-case basis. While it is understood that providing basic telephone coverage for all on income assistance would be costly, we encourage our government to work in partnership with phone companies to determine how we can together provide this essential service.

This Alternative Budget focuses on the claw-back of wages and ***recommends an increase in the earnings exemptions for ESIA applicants and recipients.*** The current claw-back unfairly penalizes recipients when they try to gain paid work experience and to move into the workforce. Currently, applicants to ESIA have no earnings exemption – when the employed apply to ESIA, all of their earnings are taken into account to deter-

Table 1 – Comparison of Welfare Income to After-Tax LICO in Nova Scotia

Recipient	Total 2007 Welfare Income[31]	2007 After-Tax LICOs	2007 After-tax LICO[32]Gap	Total Welfare Income as % of After-tax LICO
Single Employable	$6,247	$15,184	-$8,938	41%
Person with a disability	$9,088	$15,184	-$6,096	60%
Lone parent, one child	$14,725	$18,480	-$3,755	80%
Couple with two children	$20,464	$28,709	-$8,246	71%

Adapted from Table 2.2-b, National Council of Welfare, 2008, Volume #128.

mine a household's assistance. Because ESIA payment levels are so low, families who are working, but not able to pay for their basic needs (food, shelter and clothing), may still not be eligible for assistance. To be eligible they might have to quit their job, and then they are penalized with an unpaid waiting period. Once the applicant is determined to be eligible, the ESIA program deducts 70% of the net wages earned from their basic entitlement. In other words, the government only allows the ESIA recipient to keep 30% of their earnings. This is unfair and a significant barrier to recipients wanting to move into the labour market, especially for women, who face additional barriers to transitioning into full-time work.[34]

The new regulations would be as follows:[35]

Allow single persons (applicants and recipients) to keep the first $200 (per month) of their wages or training allowances. Allow the remainder of their wages to be deducted from their benefits at a rate of 50%.

Allow single persons with dependants (applicants and recipients) to keep the first $400 per month of their wages or training allowances. Allow the remainder of their wages to be deducted from their benefits at a rate of 50%.

A more reasonable earnings exemption level helps workers to remain in or to re-enter the work force and gain valuable work experience. It can bridge a gap to a better job and lower the barriers as the recipient tries to transition into the workforce. By a modest increase in the earnings exemption, the government could enable income assistance recipients to keep more of their income assistance while working.

Priority 1 Summary:
Investment in Poverty Reduction and Alleviation

	($ millions)
Community organizations core funding and secretariat	5
Employment Supports and Income Assistance	131
Total	**136**

Priority 2:
Investing in our Social Infrastructure

Construction of roads, power lines, clean water, *etc.* is a crucial driver of economic growth. But, other types of infrastructure contribute to a community's economic health too. Among them, social infrastructure plays a key role in ensuring the health, safety, and security of citizens.

Social infrastructure can be physical structures, social support programs, as well as difficult to measure elements that contribute to social cohesion. Physical infrastructure would include day care centres, schools, hospitals, parks, and social housing. These types of social infrastructure lend themselves readily to stimulus spending.[36]Social stimulus spending should create jobs and shore up gaps in social infrastructure, focusing on the most urgent needs with an eye to longer term requirements as well.

Social infrastructure projects should take place in the not-for-profit or public sector; research indicates that no infrastructure project should be undertaken as a public-private partnerships.[37] For instance, our current affordable housing program works in partnership with the private sector and only provides for the 'affordability' of rental units for 10 years. This works out to a significant investment, but it results in no permanent increase to the affordable housing stock. In addition, past experience has shown that governments in Nova Scotia cannot rely on the private sector to meet the need for affordable housing. "The private sector has shown little past interest in the development of affordable housing, because it isn't financially lucrative."[38] As a result, there is growing support for establishing non-profit housing developers in rural areas, where it is even more challenging to find private partners.

Similarly, the current Child Care Expansion Loan program offers low cost capital financing to for-profit child care enterprises – which will actually result in higher child care costs for families. The new 'Kids & Co' corporate child care centre will be charging families about 15% more than current non-profit centres – an increase of about $100 more per month. In addition, since 2007 the NS government pays corporate centres the same operating funding as non-profit centres – no matter how much these for-profit centres charge parents or pay their employees. The Australian experience shows that corporate child care does not provide accessible quality child care – it puts smaller not-for-profit child care centres out of business and results in higher fees for parents.[39] A recent review of the performance of not-for-profit child care over for-profit child care shows that "nonprofits produce a higher quality of care in child care centres."[40]

A Housing First Approach

New social and not-for-profit housing are desperately needed in Nova Scotia. Already there are 4000 people on the waiting list for public housing in the province, and the turnover rate is only 13 to 15 per cent – that means a wait time of at least 2.5 years.[41]

As the recession continues, more Nova Scotia families are at risk of homelessness (defined as spending more than half of gross income on housing). Providing safe affordable social housing is an integral preventative measure. Housing for the homeless provides stability, makes it easier to provide other supports, and could actually achieve a long-term cost savings of up to 41%. [42]

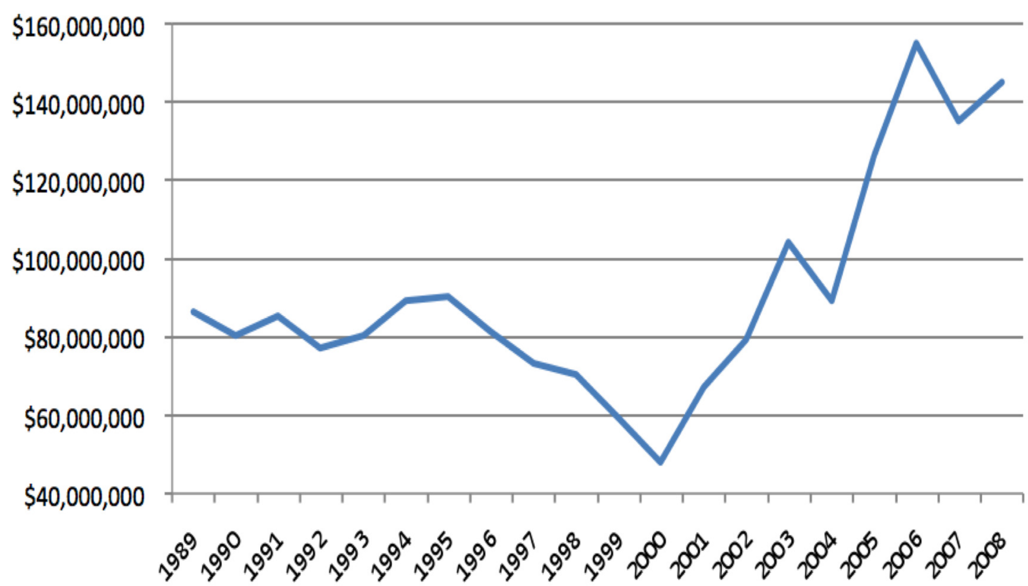
In 2002, the Nova Scotia government entered a partnership with the federal government to provide and repair housing in the province. However, there has yet to be a clear and accurate accounting of these funds even though these agreements call for an annual accounting and performance report, and the communications protocol claims all information will be public. Unfortunately, provincial and federal officials have refused to disclose the specifics.

Here is what we could have accomplished with these funds:[43]

From the first (2002) phase of the Canada-Nova Scotia affordable housing agreement, 1500 affordable homes new or renovated could have resulted, with an average per-unit subsidy ofjust less than $25,000. This agreement includes federal funding of $18.63 million, with a matching contribution from the province and third parties, for a total of $37.26 million.

The second (2005) phase of the agreement includes federal funding of $9.46 million, with a matching provincial/third party contribution, for a total of $18.92 million. While there is no specific unit target, the per-unit subsidy was increased to $75,000, suggesting 250 new homes could be built.

Chart 1: Provincial Government Housing Expenditure in Nova Scotia



Source: Statistics Canada, Cansim 385-0001.

Where are these 1,750 new or renovated homes and total investments of $56.18 million?

According to the deputy minister of Community Services, "funds have been committed to create or preserve 1,069 homes to March, 2008, 170 new rentals were created in 2007-08 and to date, $45 million in funding has been committed".[44] When does commitment become reality?

Government needs to move much more quickly with their stimulus spending, and provide clear and accurate reporting of project outcomes so that further resources are allocated effectively. The PC government promised to invest $59 million over three years for upgrades and new units. This is insufficient especially given the benefits that come from building new homes, as well as the savings that come from housing the homeless.

According to Statistics Canada, funding of affordable housing in Nova Scotia reached a peak of $90 million in 1995, then dropped by almost half to $48 million in 2000, then rose steadily to a high of $155 million in 2006, and has fallen again since then (see Chart 1).

This NSAB provides funds for new affordable housing at the subsidy level of previous projects ($50,000 average per unit), for all 4,000 families on the waitlist. This could cost $200 million, including the PC government's promised investment of $59 million.

The NSAB invests an additional $141 million over three years to create new units for the homeless in partnership with not-for-profit organizations, recognizing the need to begin substantive work on a provincial housing strategy, as well as pressure the federal government for a national housing strategy.

University Research and Infrastructure

Universities in Nova Scotia face significant deferred maintenance problems. According to the Association of Atlantic Universities, Nova Scotia's universities have an Accumulated Deferred Maintenance Deficit of $543 million.[45] Universities receive $4.8 million annually to address deferred maintenance, far below their actual need. In the 2008 Memorandum of Understanding, the government agreed to commit up to an additional $25 million to deferred maintenance from money received in the Crown Share settlement regarding offshore oil revenue.

The 2009 Federal Budget allocates $2 billion over two years for college and university infrastructure, $1.4 billion for universities and $ 600 million for colleges. The funding will be provided on a per-project basis with projects approved by Industry Canada. The budget also requires matched funding, with the federal government providing up to 50% of the total costs of projects chosen.

In response to this funding opportunity, the Council of Nova Scotia University Presidents (CONSUP) submitted a proposal to the provincial government seeking matching funding for $118 million worth of infrastructure projects proposed by Nova Scotia's 11 universities.[46] According to a report prepared for CONSUP, the 11 projects would have an economic impact of more than $228 million. ***The NSAB contributes $59 million to match the federal funds requested.*** The provincial government only proposed investing $17 million.

Priority 2 Summary: Social Infrastructure Investment

	($ Millions)
Not-for-profit Social Housing	47
University Research and Infrastructure	59
Child Care Centres (see Early Learning Section)	62.1
Total	**168.1**

Priority 3: Beyond Infrastructure: Investing in Education and Training

Beginning in the Early Years

Like the federal stimulus plan, the PC government's plan has very little direct benefit to women in the form of more money in their pockets, in job opportunities, or by way of supporting 'social' infrastructure projects that benefit women and everyone – especially our most vulnerable citizens, –our children. The infrastructure spending that has been announced thus far has no gender equity requirements, but will have unequal gender implications. The construction industry is male-dominated, where only a small percentage of women work in any of the associated trades. Child care facilities are not included in the infrastructure spending or as an economic stimulus. Spending in this largely female-dominated sector enables women to remain or enter the paid work force and allows them more opportunities to operate new facilities. The need is there and the impact of this spending has undoubtedly a high rate of return.

The OECD's report on the state of child care in Canada recommends that governments aim to spend 1% of GDP on early learning and child care programs.[47] This is consistent with spending in countries of the European Union. For Nova Scotia, this would amount to a three-fold increase in funding.

There are 10,505 full time licensed child care spaces and 2,594 part-time spaces available in the province. This amounts to only enough spaces for just under 10% of children who need child care in this province.[48] We also know that there are only licensed spaces for 4% of infants and only 4% of spaces for kids with special needs.[49] ***As part of investments in social infrastructure, the NSAB commits $62.1 million this year with incremental increases every year to reach the target of investing $2.16 billion over 15 years thus creating 50,000 new full time spaces and 40,000 new part-time spaces in the not-for-profit sector.***

While the PC government claimed to have an Early Learning and Child Care Strategy (ELCC), except for an outline of some spending priorities, no comprehensive strategy was ever made public.[50] Rather, investments in child care took the form of subsidies and often one-off grants that did not prioritize improving access to high quality, non-profit child care. In contrast, an ELCC strategy would include targeted child development outcomes and a comprehensive set of supports for families that measure quality of care. Quality is determined "by a variety of inputs, including the child-staff ratio, education of staff, group sizes, combinations of staff, characteristics of the director and management, toys, learning materials and physical capital. Quality also depends upon less tangible factors such as leadership, motivation, enthusiasm, energy and personal staff characteristics."[51]

This lack of policy has allowed 'big box' day care into the province to fill needs of parents who can afford to pay and have no alternatives.

Costs of day care are prohibitive for many families. Daily fees range anywhere from $22.00 to more than $30.00 per day, with even higher rates for children under 18 months. Currently, there are 2750 full-time subsidies available in Nova Scotia, with a target of 3,580 by 2011.[52] 2426 are allocated to specific non-profit centres, and 324 are "portable," used in either for-profit or non-profit centres, and follow the child. Administered by the Department of Community Services, the portable subsidy approach is difficult for parents to navigate, and requires the alignment of both a vacancy in the parent's centre of choice, and arrival at the top of the portable subsidy waiting list. Indeed, subsidies do not cover the full costs of child care and are a stop-gap policy that fails to address the need to fund early learning based on child development outcomes, not on economic need.

A provincial Early Learning and Child Care strategy would ideally be supported by a federal national strategy. However, our children cannot wait for this to happen and therefore the NSAB includes critical elements that our provincial government needs to incorporate into a strategy. The NSAB also outlines some of the costs and initial budget allocations.

The specific funding proposals in the NSAB would include funding for all existing licensed centres, with the proviso that growth take place only in the non-profit sector. First, the NSAB recommends that, by 2026, full day funded spaces be created for 50% of children ages 0-12 (66,300 full time spaces), and part day funded spaces for 30% of children ages 0-12 (primarily children ages 2-5 and after school care for ages 6-12)(44,200 part time spaces).

The starting point for funded spaces should be to convert all existing licensed spaces to be "subsidizable" in the short term, and funded in the long term. Communities that have few assigned subsidies and where there are significant low income families will be given priority. Therefore, the NSAB invests in a system that will become similar to the Quebec plan, with a low maximum daily parent fee ($7.00 per day in Quebec).

Another cornerstone of an ELCC strategy, is to recognize the role played by early childhood educators (ECE). The current policy regulating licensed child care in Nova Scotia, requires only that these educators take two evening courses (of 60 hrs each) in child development topics. Under current legislation, this qualification is required of only 2/3 of staff in any centre. If an employee is currently enrolled in a course, this is counted as part of fulfilling this minimal requirement.

The NSAB recommends that the government institute a more stringent requirement and ensure that all ECE have at least a two-year post secondary early childhood education diploma by 2021. This means ensuring that there is sufficient access for recipients to return to college.

In addition, a critical and pressing concern that must be rectified is the abysmal remuneration offered to these workers in our province. Despite the responsibility and importance of their work, Early Childhood Educators in Nova Scotia do not receive a living wage. Rather, their wages are some of the lowest in the province and vary by region of the province. The average hourly wage in Halifax is $10.80.[53]

It is not surprising that staff turnover rates are at least 50% in many centres. Qualified educators cannot afford to continue working in child care. A child care strategy must include provisions for substantially improving the wages and working conditions in the system.

The NSAB seeks to bring the entry-level salary for a qualified educator up to $36,000 within 5 years. The initial investment is $4.65 million.

This group of workers, the vast majority of whom are women, deserve a substantial increase in their wages. Putting more money in their pockets would be an effective part of a stimulus package.

Investment in child care makes good economic sense; for every dollar invested in child care two dollars are returned to the economy. While our recommendations would respond to the need for more child care spaces and lay part of the foundation for a strategy, a comprehensive strategy for the early years should be developed collaboratively with stakeholders and ensure that it includes the most appropriate benchmarks, targets and timelines for the optimal human development of children aged 0-5.

Primary to Grade 12

To provide the same opportunities for Nova Scotia students that residents of other parts of Canada take for granted, parents, teachers, administrators, and school boards had to learn to pool the talents and resources in the province in creative ways. In 2004, Statistics Canada released figures dating back to 1997 showing that Nova Scotia spent less per student than any other province in Canada.[54]

In three of the last five years, we saw improvements to the education system, with class size reductions at the earliest grade levels, increased funding for specialists such as guidance counsellors, and additional resources—particularly in the areas of literacy and mathematics—beginning to flow to the classroom.

The 2007 and 2008 budgets effectively put these measures on hold. Under-funding of our school system adds greatly to the stress of those working in our classrooms. Teachers' working conditions are students' learning conditions.

The last two provincial budgets resulted in serious setbacks for students, particularly those with special needs or 'children at-risk'. The argument is that we must wait for better economic times, but children cannot wait. As Justice Merlin Nunn so ably pointed out in the Billard Inquiry, a generation of children is growing up without the services they need and this puts at risk our society as a whole.[55]

It's hard to argue against the educational advantages of manageable class sizes, particularly at the early elementary level. Students with English as a second language, diverse abilities, social and behavioural issues, Individual Program Planning and modified programs present challenges that stretch the abilities of classroom teachers and limit the individual attention they can provide students.

Government introduced class size caps in previous budgets. Caps of 25 students for Primary to Grade 3 and of 28 students for Grade 4 were introduced with additional measures to limit the size of multi-grade classrooms and of those with extreme numbers of students with special needs.

Despite additional funding for guidance counsellors, resource teachers, speech pathologists and school psychologists in 2006, government has been either unable or unwilling to see these measures through and meet their own targets for services to students.

Recently, the PC government announced funding to build and renovate schools. Some of these projects will take up to seven years according to the funding arrangement.Will the NDP stick to this plan within the timelines suggested? The PC government was still completing school construction and renovations made by the Hamm government. The PC government also planned to invest an additional 4.5% ($44.8 million) in the fiscal year 2009-10, but that would only meet salary and operational requirements. This investment does not make up for years of underfunding and actually does not allow schools to maintain existing student services as the government claims. Instead, it mostly covers negotiated salary increases and benefits. At the same time, the PC government increased the class size cap in grade 4 from 28 to 30. More funding is needed to enhance and strengthen the system in order to better respond to the diversity of needs in the student population. As examples, such an enhancement would include decreasing the class size for grade 4 to 25, in keeping with the class size caps for P-3, and further decreasing the cap to 20 for grade primary.

This Alternative Budget provides an additional investment of $44.8 million or 4.5% to enhance services.

Post-Secondary Education and Training

Post-secondary education in Nova Scotia plays a significant role in the province's economy. According to the government, Nova Scotia's 11 universities contribute over $1 billion to the province's economy and provide 7,500 direct and 17,500 indirect jobs. Over 6,700 jobs with over $202 million in incomes are attributable to the Nova Scotia Community College. Over 42,000 students attend university in Nova Scotia, with another 10,500 full-time and over 15,000 part-time students attending the Nova Scotia Community College. In many regions of the province, college and university campuses are one of the main industries.

The Nova Scotia Community College cites Statistics Canada research that by 2011, 89 per cent of jobs in Nova Scotia will require post-secondary education. As of May 2007, 82 per cent of jobs in Nova Scotia require a post-secondary education.[56]

Education and training should be a priority, not only as an economic stimulus measure, but rather as essential to ensure a stable and prosperous economy in the long-term for Nova Scotia, and a greener one (see textbox).

Training for a Green Economy

Stimulus spending in green infrastructure and environmental priorities opens the door to new opportunities for local economies, especially in the areas of green infrastructure and technology. This must be coupled with a comprehensive labour market strategy to prepare Nova Scotians for the jobs of the future. We require new programming and retraining in areas like energy efficiency, farming, information technology, engineering and land use planning.

We are already experiencing a shortage of workers prepared to do energy efficiency audits and this is cause for concern as Nova Scotia Power is more than doubling electric energy efficiency programming in 2009. Energy efficiency creates jobs, but our labour force is not prepared. The government must take short term actions to address this concern.

We need to invest in training programs for environmental professionals such as wetland delineators, GIS technicians and hydrologists. To prepare for climate change, a new skill base is required to develop accurate maps and inventories of vulnerable resources, infrastructure, industries, and communities.

Nova Scotia has a shortage of new farmers. Mentorships, on-farm training, and other farm-related skills must be taught both in institutions and in practical settings. This training should be matched with opportunities for new farmers to set up businesses in a low-risk setting through land leasing, "slow farm transitions," and incubator farms.

University Funding and Tuition Fees

Throughout the 1990s, universities in Nova Scotia faced significant funding cuts, leaving universities chronically underfunded. While over the past five years increased funding to universities, these increases are modest in comparison to the earlier cuts faced by universities.

Last year, the PC government negotiated its second Memorandum of Understanding on university funding. This MOU increases funding to universities by $30 million for 2008-2011. The PC government proposed investing an additional $180 million in the next three years in the province's 11 universities.

These funding increases would mean that for the first time in almost twenty years, funding to universities will be the same in real dollars as it was in 1989, although funding per student is far behind the 1989 level. The funding deficit that resulted from cuts over the past 20 years is over $676 million (Chart 2). This funding deficit also does not take into account that enrolments at Nova Scotia universities increased by 20 per cent between 1992 and 2005.[57]

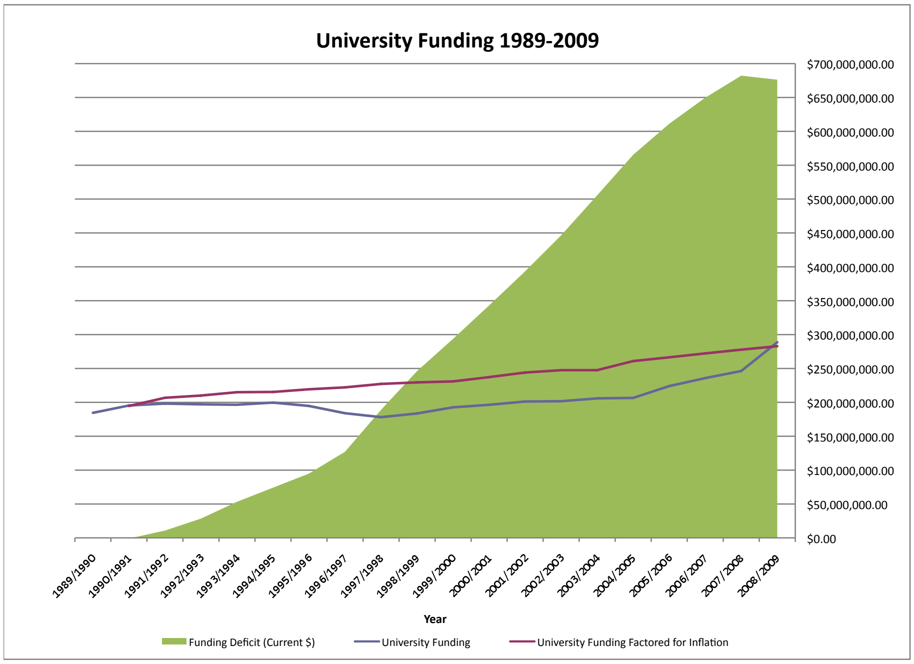
These cuts left Nova Scotia universities to respond to the needs of its students and faculty when costs were increasing due to inflation, enrolment was rising, and the cost of deferred maintenance mounted. Universities explored other funding sources; mainly private funding in the form of increased user fees for students, and increased reliance on corporate funding. Universities have also become increasingly reliant on endowment funds. The current economic recession will result in significant reductions in the income available from endowment funds and through corporate sources.

Chronic government underfunding has forced the burden of funding universities primarily onto the students. Tuition fees have more than tripled since 1989, with average undergraduate tuition fees sitting at almost $6,500 per year. For nineteen of the past twenty years, Nova Scotia students paid the highest average tuition fees in the country, a title the province continues to hold despite the rebate program introduced in September 2006 (see Figure 3).

The NSAB invests $18 million to complement the Nova Scotia Bursary Trust fund and allow for a $1,100 tuition fee reduction for all Nova Scotia University students.

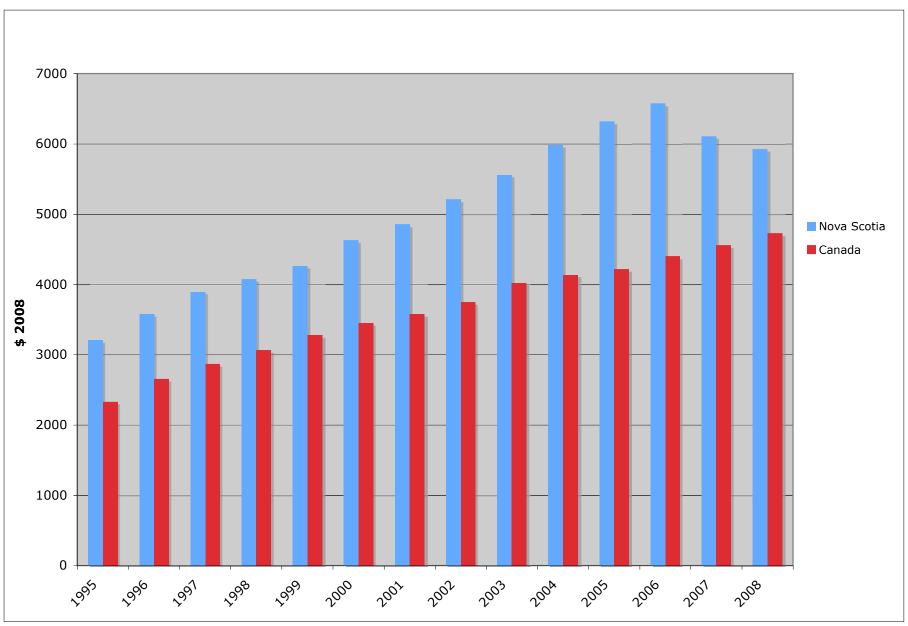
The NSAB also recommends that the money provided under the Nova Scotia Bursary Trust be phased out with stable, provincial funding to universities over the next two years. This would mean that in future years, an additional $18 million would be required for 2010/2011 and $36 million for 2011/2012, meaning that the total funding required over three years would be $64,000,000. Further, this funding should be accompanied by legislated tuition fee rollbacks and freezes.

Chart 2: University Funding 1989-2009$



Source: Government of Nova Scotia, *Public Accounts*.

Chart 3: Average University Tuition Fees 1995–2008



Source: Statistics Canada, *Survey of Tuition and Living Accommodation Costs* (TLAC); Various.

What happens when the money runs out? The instability of year-end university funding and trusts

Since the introduction of the first Memorandum of Understanding in 2004, actual government spending for universities has varied greatly from the amount that appears from year to year in the province's budget. The PC government relied on two funding mechanisms to fund universities outside of the provincial budget: year-end spending and trusts.

In 2008 alone, the government allocated over $138 million on universities through these measures, with about $72 million going to pre-paid funding for the 2008/2009 fiscal year, and $66 million into the Nova Scotia Student Bursary Trust. The government continued this practice by allocating over $256 million to university funding in March 2009 to prepay their commitments for 2009/2010.

These funding mechanisms are not transparent, and are unsustainable. Relying on end of year surpluses to fund universities' operating costs relies on large budget surpluses. If these surpluses do not occur, university funding is put at risk.

Making one-time investments in trusts similarly creates funding vacuums that must be filled later. The government's choice to invest in the Nova Scotia Bursary Trust in lieu of legislated policy that controls tuition fees is a food stamp approach to university tuition fees. The program invests $66 million in tuition relief for Nova Scotia students studying in Nova Scotia for 2008-2011, but tuition fee relief and support are not a short-term problem. Further, since trusts rely on one-time investments, if the money runs out, students are left out in the cold. For example, the Nova Scotia Bursary Trust outlines that if money for the rebate for 2010/2011 is insufficient, the university presidents have the power to reduce the amount of the rebate. The investment in the trust was initially $66 million, however, $70 million is required to cover the costs of the proposed rebates. While accumulated interest might address this gap, during this economic downturn it is just as likely that the students will not receive the full rebate as promised.

Instead of these complex approaches, the government's commitment to universities should be reflected in the core funding budgeted under "Assistance to Universities." This is the most transparent, publicly accountable, and sustainable way to ensure our universities are adequately funded.

Nova Scotia Community College Funding and Tuition Fees

While universities have been significantly hit by funding cuts, government investment in the Nova Scotia Community College has been strong, in terms of both operations and infrastructure. The community college system, however, has not been immune from tuition fee increases; last year, tuition fees at the NSCC increased by 4%. Students pay $2,700 per year for a certificate or diploma program and $3,700 for an advanced diploma program. In 2007, NSCC collected about $18 million from students in tuition fees. The NSCC provides free training in areas of Adult Learning for Nova Scotians who do not have a high school diploma, and through the Department of Community Services' Educate to Work program for people on income assistance.

For many, attending the NSCC is the most accessible avenue for post-secondary education and skills training. As more people lose their jobs and seek re-training, a strong community college system will be important to absorb their numbers and meet their training needs such that they may participate in building economic stability. However, there are two barriers to NSCC's ability to fulfill this role: tuition fees and a lack of spaces.

As a stimulus spending measure, the government should increase the number of spaces currently available at the community college by at least 2000. These spaces could address specific labour shortages especially in health professions, early childhood education, and new technology, and help re-train workers who have been laid off. ***The NSAB invests 4.3 million each year for four years to create 2000 additional spaces.***

The NSAB also eliminates tuition fees for all community college programs. At a cost of $18 million per year, this measure would not only save the government money in other sectors of social services, such as income assistance and health care, but would also create a steady flow of educated workers who are not battling large student debts.

This would also improve access to university, especially for rural students, as many community college programs are connected to university programs. A student can take the first two years of their degree in their community at the NSCC and then attend two years at a university to get a Bachelor's degree.

Student Debt

Tuition fees in Nova Scotia have caused student debt to skyrocket. The average student in Nova Scotia graduates with $28,000 of debt, an increase of $7000 in just 5 years. About one quarter of students in the Maritimes graduate with more than $40,000 of debt after their first degree.[58]

High student debt has immense consequences for the economy in Nova Scotia, especially with regards to out-migration. Students choose to go to provinces with lower tuition fees or higher wages. Since 1999, when Newfoundland first froze tuition fees, the number of Nova Scotia students attended university in Newfoundland has increased over 800%.[59] Currently, average tuition fees in Newfoundland and Labrador are less than half of those in Nova Scotia. Graduates who remain in the Maritimes earn just 76 cents on the dollar, compared to those who work in the rest of Canada, but are also saddled with some of the country's largest debt loads.[60]

The most effective ways of reducing student debt is to reduce tuition fees and provide needs-based grants to students. By eliminating the upfront financial barrier of tuition fees, the government also saves money on back-end debt reductions programs and tax credits because fewer students require these programs.

The PC government provided tuition fee relief for some in the form of tuition fee rebates for Nova Scotia students, studying in Nova Scotia. This approach does little to bring down the overall costs of post-secondary education, and will result in a jump in tuition costs when the rebates run out. ***Legislated tuition reductions would give students some consistency and predictability.***

In 1993, the government cut the needs-based Nova Scotia Student Bursary Program. Later, the government introduced a loan remission program in which students could have a portion of their loans written off. Since then, the government has focused on several ineffective, back-end measures. The primary program for retaining graduates is the Graduate Tax credit. The credit is a one-time-only $2000 non-refundable, non-transferable tax credit for graduates who remain in the province.

Tax credits are an ineffective use of public money, and of reducing student debt. As many graduates do not pay taxes until years after graduation, there is little to no benefit for them. Students with the highest debt loads are the least likely to benefit, thus, students with higher incomes benefit more than lower income graduates. Graduates are not going be enticed to give up an additional $10,000 in annual salary elsewhere to get the $1,000 or $2,000 tax credit.

In 2008, the PC government introduced new needs-based grants, which provides 20% of a student loan as an up-front, non-repayable grant. It will save the average student borrower about $775, to a maximum of $1,560. This program, however, amounts to only 60% of the grants program cut in 1993.

The Graduate Tax Credit is budgeted to cost $9.2 million per year. ***The NSAB invests the money from the graduate tax credit into the needs-based grants program, thus expanding the program to provide 50% of a students' loan in grants.*** This would mean the average borrower would receive about $1,935 in grants, to a maximum of $3,900. Such measures, paired with tuition fee reductions we recommend, would significantly curb student debt.

Summary

Investments in postsecondary education generate savings to government in the short term in lower administrative costs, and savings from the Educate to Work program. The NSAB elimination of the Graduate Tax Credit will save $9.2 million, which is allocated to needs grants. What is not easily counted are the savings that accumulate from a more educated population. A 2002 study found that the rate of return on college funding was 14% and that NSCC funding translates into $14.3 million in annual savings in several areas, including health care and income assistance.[61] Our target is to increase per-student post-secondary education funding to $11, 500 per student, to bring it more in line with other Canadian provinces by 2011/2012.[62]

Priority 3 Summary:
Investment in Early Learning, Education and Training

	($ millions)
Child Care Investment	10
P-12 Investment	44.8
Postsecondary Education and Training	49.5
Total	**95.1**

Priority 4: Investing in Green Infrastructure and Environmental Sustainability

The first principle of the 2007 Environmental Goals and Sustainable Prosperity Act is that "The health of the economy, the health of the environment and the health of the people of the Province are interconnected."[63] Now is the time to build the infrastructure to ensure both our economic prosperity and environmental sustainability. To that end, this NSAB's recommendations for stimulus investment in green infrastructure have connected goals. The first is to prepare for a low carbon future and the second is for local economic development that will result in resilient rural communities and sustainable cities.

Our ecosystems, built environments and social framework are dependent on one another. Nova Scotia's Economic Growth Strategy "identifies five capitals that form the foundation of our economy: financial, natural, built, human and social."[64] Short term shovel-ready projects such as paving roads only create bursts of economic activity. However, the 2009 NSAB recognizes the need to build jobs that will be sustained for years to come. Investments made in both our built environment and ecosystems, have short, medium and long term benefits to build local economies by retaining and creating good jobs that stay in the province.

Our physical surroundings, e.g. our buildings, roads and farms, influence how much energy we use and how we live our lives, and thus the impact we have on the environment. The fluctuating price of energy and the challenges faced by climate change require rapid and transformative action.

A preventative approach is needed, and would result in fewer greenhouse gas emissions. For example, the 2009 Climate Change Action Plan points out that constructing more efficient buildings is cheaper than burning fuel, thus helping Nova Scotians deal with rising energy costs and reducing greenhouse gas emissions.

In addition, adequate investments in transportation infrastructure are needed. Sustainable transportation can be made feasible and attractive by targeted investments in active transportation, public transportation, rail and secondary roads.

Investing in sustainability includes water, wastewater and storm water infrastructure; investment in sewage treatment and septic system upgrades and assistance for municipalities to meet federal drinking water standards. Along the coast, the number of shellfish harvesting bans (due mainly to bacteriological contamination) has more than doubled in the last 15 years. These closures have resulted in an estimated revenue loss of $8 million a year.[65]

Local economies depend on local food production. We need to invest in decentralized food production, processing, distribution, and marketing throughout the province to create thriving local living economies. A revitalized farm sector will replace imported food. This includes vegetable, fruit, and meat processing; food distribution infrastructure; and farm markets. Nova Scotians are keen to spend their food dollars locally, we need to support the production of that food.

Initiatives like the "Atlantica agenda" jeopardize our success in building local living communities. Instead, we need innovative smart policies focus on greening our grid, research and development into clean energy options and sustainable transportation, instead of aspiring for N.S. to be a conduit for imported consumer goods and an exporter of dirty energy.

It is crucial that Nova Scotians develop renewable energy that is used in the province rather than exported elsewhere and discontinue the importing and exporting of coal. The 2009 budget should support community renewable energy through the creation of feed laws that guarantee a standard competitive price along with access to the grid. This suggestion comes knowing that there is a cost. There is a cost to reorganizing our energy infrastructure – however, the cost of inaction is much higher.

Ecosystems

The impacts of climate change are becoming more frequent and extreme. GPI Atlantic warns that "[i]f we lose the benefits of natural, functioning ecosystems, not only do we lose habitat and species diversity, we also have to cope with the loss in ecosystem services by investing in expensive waste treatment and water purification plants, and engineering projects to control erosion and flood damage."[66] Our forests, coasts, farmland and natural areas must be protected to mitigate the impacts of climate change. This protection must include a provincial coastal development strategy for critical coastal areas. This includes protecting beaches, salt marshes, wetlands, aquifers and groundwater recharge areas, rivers and lakes, and investment to restore damaged as well as degraded estuarine and river ecosystems. Development induced wetland loss costs Nova Scotia an estimated $2.3 billion a year in lost ecological services.[67]

The province can increase the resiliency of our forests to climate change by shifting from clearcutting; investing in highly efficient energy-production technology for pulp and saw mills; promoting a diversity of small and medium-scale value-added manufacturing businesses; and ensuring FSC 'green' forest certification for Crown land and private woodlots. The province needs to accelerate progress to meet the Environmental Goals and Sustainable Prosperity Act (EGSPA) target of protecting 12% of provincial landmass by 2015. The government must identify and legally protect more coastal and wilderness areas.

The 2009 Budget should provide grants for organic landscaping entrepreneurs and direct marketing and investments for farmers markets, schools and restaurants to encourage healthy local options in our communities and decrease our dependence on imports. It is essential that we make local agriculture more sustainable. Many farmers are excellent stewards of the land in rural communities. However, over the last 35 years, net income has steadily declined to the point where, on average, farmers earn no or negative net income. Stewardship costs money, and farmers no longer have the ability to invest in farm infrastructure that protects our environment. This includes fencing to keep livestock out of water courses, bridges, manure storage, extra land for rotations, and tree-planting. Investing in stewardship initiatives puts money directly into rural farms and businesses that need it most, and improves viability while protecting the environment. More public money is needed to help farmers with these initiatives, and to help achieve all the goals in Environmental Farm Plans.

For those farmers who achieve all the Environmental Farm Plan goals, an extra incentive would be to buy their 'development rights' using Conservation Easements. This is done by the New York State Watershed Agricultural Council to both reward good stewardship and conserve farm land for farming. In addition, it lowers the cost of farmland by removing the speculative value of turning farms into building lots. The high cost of farmland, often prevents would-be farmers from getting started or existing farmers from expanding. Nova Scotia must move fast to preserve farmland, or lose much of this irreplaceable resource to other uses.

Protecting the biodiversity of our marine ecosystems is equally important to ensure the natural capital of our province as required by EGSPA. We need to protect our oceans and improve fishing practices by supporting the industry through investment in more sustainable and accountable fishing practices and fisheries management. The government can provide funding for improved observer coverage in local fisheries and reward shifts to lower-impact gears. The government can also promote local markets for sustainable fisheries products as a part of the food security agenda.

NSAB prioritizes investments in the following:

- Upgrading the rail line between Central Nova and Cape Breton to a standard of A-grade. The immediate cost of this project would be approximately \$10 million with an investment of \$2 million per annum for upkeep **(\$12 million)**. With the increased freight traffic promised by the Atlantic Gateway initiative, the investment will soon pay for itself in carbon emission savings.
- Rather than spend a "rumoured \$270 million" [68] to pave the Halifax rail corridor, invest **\$30 million** dollars in a Distripark plan over two years. Additional funds would be required to upgrade the signalling system, but rail is a more sustainable transportation system than tractor trailers.
- **\$6.5 million** to assist Cape Breton Regional Municipality Transit Authority to purchase 10 new wheelchair accessible buses and build a bus garage and a main transit terminal for transit staff and riders.
- Aggressive investment into clean energy research and development with a focus on energy storage options in the province.
- An immediate and comprehensive labour market strategy to prepare the energy efficiency industry for increased demand.
- **\$600,000** for development and implementation of Sustainable Coastal Development Strategy by 2010
- Direct funding for municipalities to upgrade sewage and septic systems to meet national wastewater quality treatment guidelines.
- The NS Department of Agriculture recently announced a \$2.3 million (over 3 years) Direct Market Community Development Trust Fund. While this is a good beginning, the budget for the Trust Fund should be at least double to support the growing interest in community led food infrastructure. The NSAB invests an additional **\$4.5 million for three years beginning with a \$1 million in the first year.**
- **\$1 million** for the Department of Natural Resources Quality-Improvement Silviculture Program
- Investment in the development and deployment of a video monitoring system for the

pelagic longline fleet for swordfish and tuna, which has extraordinarily high incidental catches of both commercial and sensitive species. Development funds are currently being sought ($75,000), and the ultimate cost of equipping the fishery for accountability may be $300,000. The NSAB invests **$400,000**

- Commit that a significant portion of the recently announced Community Development Trust Fund for local, small-scale sustainable fisheries, such as trap-caught shrimp, harpooned swordfish, and Digby clams, to enter the market place as premium products and part of the promotion of Nova Scotian local food resources.

Priority 4 Summary: Investment in Green Infrastructure and Environmental Sustainability

	($millions)
Upgrading the rail line between Central Nova and Cape Breton to a standard of A-grade	12
Distripark plan	15
Cape Breton Regional Municipality Transit Authority	6.5
Sustainable Coastal Development Strategy	0.6
Direct Market Community Development Trust Fund for Agriculture	1
Department of Natural Resources Quality-improvement silviculture program	1
Investment in pelagic longline fleet for swordfish and tuna	0.4
Total	**36.5**

Conclusion

This Alternative Budget responds to the crisis and builds for the future by investing in Nova Scotia today. With the extra revenue raised via the tax measures proposed and deficit spending, it is possible to make critical investments in Poverty Reduction and Alleviation, in Social Infrastructure, in Early Learning, Education and Training, and in Green Infrastructure and Environmental Sustainability.

Making these investments now will save us money in the future, whether via lower health care costs associated with better health outcomes by reducing poverty or by taking a housing first approach and thus saving shelter and related costs or in myriad other ways to ensure the health, safety and security of citizens. Moreover, these priority areas would stimulate the economy, create jobs, and ensure that we are moving toward a more equitable, socially just economic order and a greener one. A commitment to the development of green infrastructure helps us realize an economically prosperous, low carbon future.

While we face fiscal, ecological and other challenges, we also have the resources required to ensure the development of living and sustainable Nova Scotian communities. Resources must be allocated to insulate Nova Scotians from a changing climate and a changing economy.

As a blueprint for change, this Alternative Budget outlines the benefits of prioritizing these critical issues no matter which political party leads the legislature.

Summary of Investments of the NSAB 2009 ($ millions)

<u>Poverty Reduction and Alleviation</u>		**136**
Community organizations core funding and secretariat	5	
Employment Supports and Income Assistance		
30% increase in personal allowance	20	
$30 month for telephone allowance	11	
33% increase in shelter allowance	47	
Decrease wage claw-back	53	
<u>Social Infrastructure Investment</u>		**168.1**
Not-for-profit Social Housing	47	
University Research and Infrastructure	59	
Child Care Centres (see Early Learning Section)	62.1	
<u>Early Learning, Education and Training</u>		**95.1**
Primary to Twelve Public School System	44.8	
Investment in Early Learning and Child Care		
Increase Wages of Early Childhood Educators	5.35	
Child care Subsidies	4.65	
Postsecondary Education and Training		
Reduce tuition fees for university students	18	
Eliminate tuition fees for college Students	18	
Add 2000 community college spaces	4.3	
Increase the grant portion of student loans	9.2	
Eliminate Graduate Tax Credit	-9.2	
<u>Green Infrastructure and Environmental Sustainability</u>		**36.5**
Upgrading Central Nova – Cape Breton rail-line	12	
Distripark plan	15	
Cape Breton Regional Municipality Transit Authority	6.5	
Sustainable Coastal Development Strategy	0.6	
Direct Market Community Development Trust Fund for Agriculture	1	
Dept. of Natural Resources Quality-improvement silviculture program	1	
Investment in pelagic longline fleet for swordfish and tuna	0.4	
Total Investment		**435.7**

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