



# Striking a Healthy Balance

## Budget in Brief: Nova Scotia Alternative Budget 2011

*The full Nova Scotia Alternative Budget, available on-line at [www.policyalternatives.ca](http://www.policyalternatives.ca), provides additional information, extensive background research, and tables and charts for this Budget in Brief.*

### **Striking a Healthy Balance: Framing the 2011 Nova Scotia Alternative Budget**

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The government needs to strike a healthy balance between fiscal health and the health of Nova Scotians. We cannot sacrifice people who need services today or people who need interventions to prevent problems that are more serious in the future, in order to meet an arbitrary timeline to balance the budget. In contrast, the CCPA-NS alternative budget invests in the health of Nova Scotians today to reap the benefits of a healthier and more productive population down the road.

### **Achieving Health Equity in a Generation**

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We can aspire for a loftier goal and vision for Nova Scotia than the government's "back to balance" mantra. According to the World Health Organization, "achieving health equity within a generation is achievable, it is the right thing to do, and now is the right time to do it."<sup>1</sup> To achieve health equity within a generation requires public investments to address the key social determinants of health including: income and social status, education, healthy child development, health services, employment and working conditions, food security, housing, gender, environmental sustainability and culture.<sup>2</sup> We are in a posi-

tion to make these investments. We can aspire to such a goal. The Nova Scotia Alternative Budget (NSAB) shows us the way.

### **Budget Context**

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Table 1 represents the current budgetary situation for the province of Nova Scotia as presented in the December economic update, and based on assumptions made in the 2010–11 budget<sup>3</sup>. The provincial government plans to balance the budget via "expenditure management" initiatives imposing across the board cuts in every sector to slash \$772 million from departmental budgets by 2013–14. We challenge many of the assumptions upon which the government's "back to balance" plan is based.

### **Alternative Provincial Budget Framework**

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In contrast to the Nova Scotia government's plan to balance the budget via across-the-board cuts, the Nova Scotia Alternative Budget makes strategic investments, finds creative ways to save money and to increase revenue (see Table 2).

This alternative budget shows we can make strategic investments that will help those in need right now, but will also result in savings down the road. And, all this can be done while

**TABLE 1 Nova Scotia Department of Finance Budgetary Transactions (\$thousands)**

	2010-11	2011-12	2012-13	2013-14
Revenues	\$9,020,036	8,793,900	9,018,400	9,140,300
Expenditure (inc. Debt Service)	\$8,922,814	9,163,900	9,205,100	9,140,000
Budget balance	\$97,222	-\$370,000	-\$186,700	\$300
Closing debt (accumulated deficit)	\$14,002,200	\$14,603,200	\$14,897,000	\$14,877,000

**TABLE 2 Summary of the NS Alternative Budget 2011-12: Revenue and Investments****Sources of Additional Revenue 2011-12**

Personal Income Tax Reform (net)	\$321,108 million
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**Strategic Investments (New Spending) 2011-12****Investments to Decrease Health Inequities***Reduce the poverty gap Increase Employment Support and Income Assistance*

Fund basic telephone service for social assistance recipients	\$8 million
Increase shelter and income allowances	\$65.15 million
Decrease employment income claw-back	\$19 million

*Strengthen Primary Health Care Invest in Community Health Centres*

Increase funding for existing community health centres	\$10 million
Open 10 new community health centres	\$30 million

*Develop an early learning and child care system*

Begin phased-in pre-primary learning and child care system	\$2.375 million
Provide transitional funding for non-profits	\$5 million

**Investments to Improve Learning Conditions***Strengthen primary to twelve education system*

\$300 to every classroom for school supplies	\$1.5 million
10% increase for students with Special Needs	\$12.5 million
Assist African Nova Scotian, Aboriginal, Acadian and ESL	\$6 million

*Invest in Post-Secondary Education*

Funding to maintain tuition freeze	\$17 million
Additional funding for the NS Student Bursary Program	\$21 million
Decrease NS Community College tuition fees	\$14 million
Increase the NS Student Grant	\$14 million

**Investments to Improve Living Conditions***Moving toward environmental sustainability*

\$1 million

*Make life healthier and more affordable*

New affordable housing	\$60 million
Improve public transportation	\$20 million
Establish public auto insurance	\$15 million
Increase funding to children's oral health program	\$3.3 million

**Additional Savings 2011-12**

Decrease Corporate Tax Expenditures and Direct Subsidies	-\$45 million
Cancel 'Your Energy Rebate' Program	-\$84 million
Cancel Graduate Retention Rebate	-\$14 million

**Total New Investments (Net) \$ 181.825 million**

**TABLE 3 APB Budgetary Transactions**

	2011-12	2012-13	2013-14
Revenue	\$9,492,055	\$9,741,368	\$10,001,152
Expenditure	\$9,573,030	\$9,783,637	\$9,998,877
Balance (Deficit)	-\$80,975	-\$42,269	\$2,276

maintaining current spending levels, reducing the deficit and balancing the budget.

The Nova Scotia Alternative Budget assumes expenditures will increase by the consumer price increases. Thus, wages and purchases of equipment and materials are assumed to move with the cost of living — in aggregate, existing programs will not grow but neither will they be cut, although funds may be re-distributed between programs.

We expect that the cost of debt servicing will be lower than the province's projections in their last budget. Their estimate of the deficit was high by the roughly \$300 million advance payments to universities. That's \$300 million less in debt and a reduction of annual debt servicing costs of \$13.5 million. Moreover, we estimate that refinancing \$785 million of maturing debt, which carries interest rates of 16%, 9.92% and 6.25%, can be done at around 4.5%, cutting future servicing costs by \$35 million in 2011-12, and more in subsequent years.

While interest rates can be expected to rise over the next 3 years, about half the debt to be refinanced in that period currently requires interest payments above 7%. To be cautious, we have assumed that the cost of debt servicing and related expenditures will increase at the rate of inflation. Our economic growth projections are based on private sector projections, which are less conservative than the government's projections of stagnant growth.<sup>4</sup>

As can be seen from Table 3, compared to the government estimates this Alternative Budget projects a smaller deficit in the next two years, with a balanced budget and surplus in year three.

There are significant differences in approach between our budget and the provincial government's budget. We avoid slashing government expenditures and services. Our budget protects programs at their 2010-11 level while increasing revenues, primarily through increased upper-end income taxes. Thus, the Alternative Budget is able to finance deficit reduction and new programs designed to meet current and future needs of our citizens. As long as the wealthiest Nova Scotians can afford to pay taxes similar to the rest of us, ours is a sustainable and progressive approach to budgeting.

### Revenues

We assume that Nova Scotia's own source revenue will increase because of both real growth and price increases — increasing incomes, sales, and profits and therefore government tax revenues accordingly. However, federal transfers are assumed to remain constant, falling in purchasing power as prices rise.

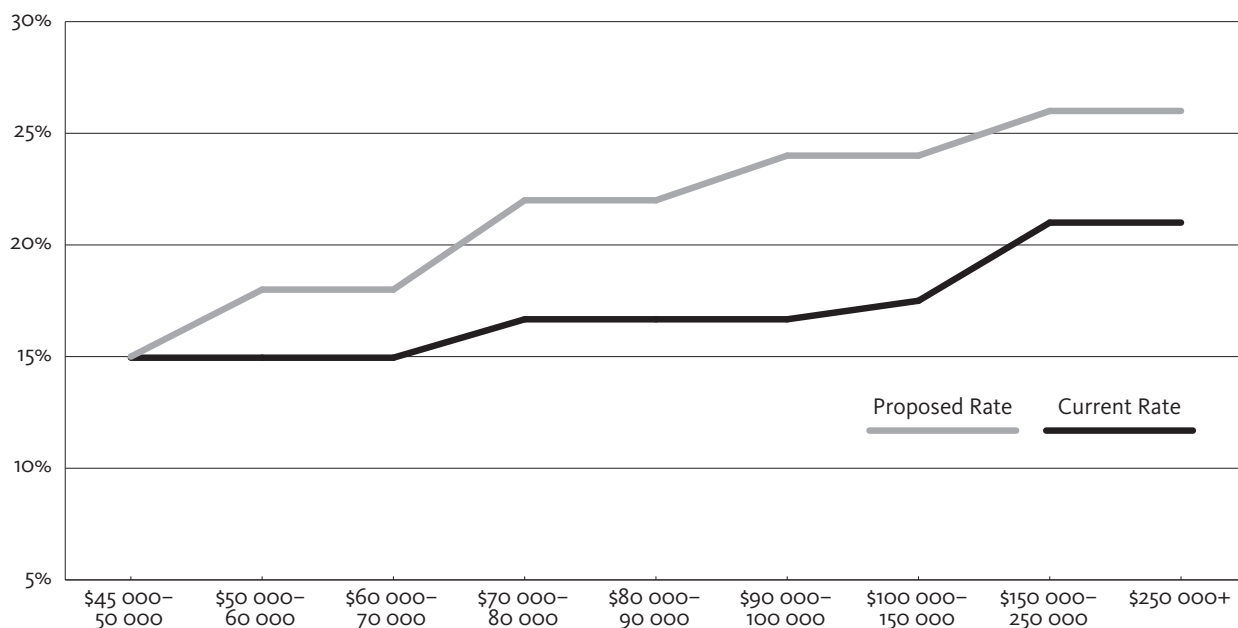
Thus some of our revenue growth estimates incorporate inflationary effects with real growth but 37% of provincial revenues are assumed to be stagnant. The net effect will be a growth in revenues slightly faster than the rate of inflation. However, this would not be enough to have a significant impact on the deficit, let alone finance the additional program expenditures advocated in this Alternative Budget. To this end, the NSAB proposes to reform income tax as a central component of the way forward for the province's fiscal health.

### Income Tax Reform

This budget proposes changes to the provincial personal income tax brackets and the rate applied within each bracket. The intent is to provide a more progressive structure for the personal income tax (see Figure 1). It increases the amount of revenue raised through the personal income tax paid by people in the top bracket, who are also the people who have benefited most from both economic growth and from tax changes over the past 30 years. Between 1990 and 2005, the proportion of income paid in taxes of all kinds — rose from 26% to 31% for the poorest Canadians. However, for the richest one percent of Canadians, the taxes/income ratio fell to 30% — the very rich now pay less tax as a portion of income than the poorest or any other group of Canadians!

Under the proposed changes, the lowest paid 1/3 of Nova Scotians would see no increase in their personal income taxes. The next third would have a slight increase, less than one percentage point in their total (federal and provincial) income tax payments. The top ten percent have their total income tax payments increase by 1.7 to 4.2 percentage points (for the 2470 individuals reporting taxable incomes of more than \$250,000 in 2008).

**FIGURE 1 A More Progressive Income Tax** Proposed Vs. Current Marginal Income Tax Rates



Under the restructuring we propose, the highest tax bracket would face a marginal tax rate (i.e., tax on additional income) of 26% plus 29% on their provincial and federal taxes, respectively, for a top marginal tax rate of 55%. Of course, they can avoid some of this tax through tax breaks such as RRSPs and only half of their capital gains income is reported and taxable. Moreover, high tax rates on top brackets need not slow economic growth, indeed there is evidence to the contrary.<sup>5</sup>

A more equitable tax system helps reduce the growing divide between rich and poor, i.e., the increasingly uneven distribution of income and wealth. The more equitable the shares of income, the higher the level of well-being *and* of economic growth. Moreover, a more equitable distribution of income benefits everyone. For instance, life expectancy is higher in countries with greater equity — not just for the people on the bottom, but for those on top as well!

By what definition of “afford” should the rich not pay as much of their income in taxes as other Canadians, especially the poorest? The impact of our bracket changes would be to raise the income tax/total income of the top bracket — the 1.5% of Nova Scotians reporting incomes of more than \$150,000 — by less than 5 percentage points, i.e., not totally moving them back to where they were ten years ago.<sup>6</sup> But it should be noted that studies such as Lee’s use a broader definition of income than is reported in the income tax data, so the actual increase for

the top bracket would be more like 3 percentage points, still leaving them under-taxed relative to all other income classes.

Total new revenue (net)<sup>7</sup>: \$321,108 million

### Raising Additional Revenue, Saving Money

The Nova Scotia Alternative Budget also finds ways to save money.

#### Cutting Corporate Largesse

Government gifts to corporations come in two main forms: tax expenditures and outright subsidies.

#### Corporate Tax Expenditures

An expenditure item of tens of millions of dollars is not reported directly in the provincial budget — corporate tax expenditures. Unlike most gifts or subsidies, the failure to be up front about these costs makes government less accountable.

After the 2010–11 Alternative Provincial Budget called for full disclosure of tax expenditures, the government’s 2010–11 “Budget Assumptions and Schedules” published a list of tax expenditures for 2010–11 of \$153 million.

We applaud the government in this important first step and call for the following:

- The budget should include corporate tax expenditures, not as income forgone, but rather as expenditures.
- Make a list of recipients of corporate tax expenditures public. Unlike tax credits for personal income tax and the HST, where the identity of individual recipients is a matter of privacy, the forgiving of taxes to corporations is a matter of public policy.

### Direct subsidies

The second main avenue of largesse to corporations is Nova Scotia Business Inc. (NSBI). Rather than include most business subsidies within the government itself, Nova Scotia makes an “off-budget” expenditure to the crown corporation.

We know that the government gives NSBI approximately \$27 million dollars a year and that much of NSBI’s budget is used for payroll rebates to companies. The payroll rebate is a return (usually between 5%–10%) on a company’s gross payroll taxes with the amount depending on promises of employment for Nova Scotians. The rebates generally last about five years. If the government is going to use business subsidies, they should be subject to strict public policy criteria. The following are a few:

- The subsidies must be fully transparent
- They should be given directly by the government through a transparent process and not by arms-length organizations like NSBI
- There must be a full debate about business subsidy policy
- We need clear policy and performance criteria, and close monitoring for fulfillment of the criteria
- There must be serious penalties for non-compliance with performance criteria, up to and including seizure of assets
- The province should take an equity position in selected investments wherever possible
- Finally, the Industrial Expansion Fund should be transformed into a democratic, participatory economic development commission that encourages community development and local control of economy.

Given that Nova Scotians are asked to depend less on government amid the budget woes presented by Minister Steele, we believe that business should do its part. **Of the approximately \$180 million dollars directed to businesses as ‘gifts’ (specifi-**

**cally corporate tax expenditures and business subsidies), we propose that business forgo one quarter, or \$45 million.**

Cost-Saving for 2011–12: \$45 million

### Other Proposals for Raising Additional Revenue, Saving Money

- **Gas Guzzler Tax:** This tax is a two-pronged approach: increased registration fees for new passenger vehicles with an average highway fuel consumption rate of more than 8 litres per 100 kilometres; and an increase in the automotive fuel tax.
- **Environmental Assessment Fees:** The Nova Scotia government should collect 1% from all development proposals and use the funds to conduct Environmental Assessments.
- **Extracting More Revenue from our Natural Resources:** The Nova Scotia government should collect more in revenues from the extraction royalties on natural resources like minerals, coal and lumber and large amounts of forest biomass exported from Nova Scotia every year. The value of our minerals on the open markets is estimated to be in the quarter million-dollar range, yet we only collected \$63,000 from mineral “rentals,” \$800,000 from coal royalties and \$600,000 from gypsum last year.
- **Drive a harder bargain with the cruise industry:** Ports need to operate cruise tourism on a cost-recovery basis. The cruise lines should pay port fees or other taxes consistent with what it costs the communities and ports to host them. There are obvious examples of such fees and taxes collected in other jurisdictions: 1) a tax on shore excursions (a \$1 per passenger tax could raise as much as \$250,000); 2) a tax on onboard revenues generated in Canadian waters in the Maritimes from the ships’ bars, shops, casino operations, etc. that are open while ships are in port; 3) a financial incentive for using cleaner fuel while in port at \$1 per passenger. The cruise industry is a multi-billion dollar industry; the province (the region) deserves its fair share.<sup>8</sup>

What would you do with \$84 million?

**The Nova Scotia Alternative Budget rescinds the across the board 10% cut on home heating bills and redirects the \$84 million from the *Your Energy Rebate Program* into poverty reduction.**

When the government introduced the *Your Energy Rebate* program, it projected that it would cost them \$15 million in the first year, \$30 million in the second. In fact, the program cost the government \$84 million in fiscal year 2009–10. The costs will only increase due to volatile international energy markets and Nova Scotia's economically and environmentally unsustainable import dependencies on oil as well as coal-burning for electricity, to heat our homes.

The best use of limited government resources is to address the fundamental problems at the root of high electricity costs and of some people's inability to pay their bills.

What else could we do with \$84 million?

- We could invest in early learning and child care where we have mounds of evidence of the benefits to the children who are in good quality programs, let alone the benefits to their families, and to society as a whole. As an example, universal pre-primary for all four-year olds in Nova Scotia would cost approximately \$71 million; or,
- This money could significantly help those who need it the most — those individuals and families who need social assistance. To raise social assistance rates, allow recipients to afford basic telephone service, and reduce the outrageous earnings clawbacks in this system, would cost the government \$52.6 million; or,
- The Nova Scotia Community College collects about \$28 million a year in tuition costs. If we were to redirect what amounts to one sixth of the \$84 million, we could easily cut tuition fees for NSCC students in half. This amount is less than the cost of 'restoring' the Bluenose II — estimated to cost \$15 million. The investment in the Bluenose has been justified as leaving an important legacy for Nova Scotians. The legacy of a well-educated populous is one that I would rather spend my tax dollars on, how about you?

## Spending Priorities

### **Invest in the Health of Nova Scotians, Prioritize Social Determinants**

To achieve health equity, the evidence is clear in terms of where we should invest and what policy choices we should make. We should seek to address inequalities, reinforce primary health care and invest in the early years. This approach requires us to invest to improve the conditions under which people live, work, and learn.

### **Reduce the poverty gap: A minimum for healthy living**

Poverty is a manifestation of inequality and a key determinant of health. Higher socio-economic status is associated with greater access to resources and better health status.<sup>9</sup> There is also an association between the degree of social inequality in a society and mortality and morbidity rates.<sup>10</sup>

In 2008, there were 75,000 people living in poverty or 8.3% of the population. This means that one in twelve people in

Nova Scotia — including children, people with disabilities, seniors, parents, and single people — lived in circumstances that compromised their access to basic needs such as adequate food, clothing, and housing.<sup>11</sup> Failure to address the root causes of poverty actually costs at least between \$1.5 and \$2.2 billion dollars per year.<sup>12</sup> These costs are not merely borne by individuals and families but by the province as a whole through the economic costs associated with addressing high levels of crime and the effects of poor health and school dropout, as well as the lost productivity.

Welfare incomes have fallen over time and do not allow people to make ends meet, let alone allow for healthy living. The very minimum that the government should be providing is at least enough to bring people to the poverty line whether measured as Low-Income Cut-Off (LICO) or as the Market Basket Measure. However, current government assistance falls below low-income measures and leaves all people on assistance in a poverty gap. See Table 5 for details on the current poverty gap for different family types when using the LICO.

**TABLE 5 Current Poverty Gap**

Recipient	Total 2009 Welfare Income <sup>25</sup>	2009 After-Tax LICOs <sup>26</sup>	Poverty Gap	Total Welfare Income as % of After-tax LICO
Single Employable	\$6,359	\$15,579	-\$9,220	41%
Single Person with a disability	\$9,197	\$15,579	-\$6,382	59%
Lone parent, one child	\$14,992	\$18,960	-\$3,969	79%
Couple with two children	\$20,967	\$29,455	-\$8,488	71%

**TABLE 6 Proposed Decrease in Poverty Gap**

Recipient	Proposed Annual Increase in ESIA	Restore to % of LICO after tax	Poverty Gap Remaining
Single Employable	\$2200	55%	-\$7020
Single Person with a disability	\$2500	75%	-\$3882
Lone parent, one child	\$1000	84%	-\$2969
Couple with two children	\$1500	76%	-\$6988

The Nova Scotia Alternative Budget seeks to decrease the poverty gap. Table 6 shows an overview of the proposed annual increases. These are nominal but significant increases, with a goal to eliminate the poverty gap within five years. At the same time, we recognize that the way income assistance is delivered also needs to change.

Investment to bridge poverty gap: \$65.15 million<sup>15</sup>

Once the poverty gap is eliminated, we recommend that the government link both shelter and personal living allowances to the Consumer Price Index (CPI), so that inflation is not allowed to erode this income. The government has already committed to tie the personal allowance portion of welfare benefits to the CPI. This CPI indexing, however, does not make up for the erosion or past reductions in welfare benefits. Furthermore, CPI was not applied to the shelter allowance, to special needs, or to other allowances such as child-care and transportation.

**Therefore, we call on government to increase special needs amounts (whether for child care, transportation, special needs diet) to reflect the actual cost of these items.** Making ends meet year after year requires an annual increase and income that reflects the real cost of living. **The government should also consider indexing income assistance to GDP growth instead of the CPI.** The CPI as an aggregate national number erases some significant differences amongst products for a small province like Nova Scotia. Indexing it to GDP recognizes the need to decrease income inequality by considering wage growth.

The assistance provided to people on Employment Services and Income Support (ESIA) should be a real safety net that ensures people can sustain themselves in dignity. Income

assistance should provide enough financial support for individuals and families to eat healthy, live in adequate housing, clothe themselves, and meet other basic needs such as access to transportation and basic communication tools such as a telephone and arguably the internet. As such, in addition to recommending an increase in ESIA rates, we recommend the following:

- **Fund basic telephone service:** The costs of telephone service should be calculated as part of basic assistance provided to all ESIA recipients, replacing the current practice of providing an allowance on a case-by-case basis. We recommend that the personal allowance be increased for all recipients to reflect the cost of basic communication tools. The goal should be a policy that seeks to achieve social inclusion where in the norms of the society are taken into account. This recommendation amounts to an additional \$160 per month to cover communication costs of households. **Total Investment: \$8 million**
- **Encourage and Support Employment:** The current ESIA 70% claw-back provision unfairly penalizes recipients when they try to gain paid work experience and move into the workforce. This is a significant barrier to recipients wanting to move into the labour market, especially women who tend to do more part-time work than men.<sup>16</sup> A more reasonable earnings exemption level would help people to remain in or to gradually re-enter the work force. It can also become a bridge to a better job. The earnings claw-back is currently applied to assistance which is calculated monthly. Allow-

ing earnings exemptions on annual income instead would remove a barrier to contract employment.

**The Nova Scotia Alternative Budget's provision for earnings exemption allows recipients a \$5000 yearly earnings allowance. Recipients would also be able to keep 30% of remaining earnings. Total Investment: \$19 million<sup>17</sup>**

Total Investment in Poverty Reduction: \$92.15 million

### **Reinforce Primary Health Care**

Nova Scotia suffers disproportionately when it comes to chronic health conditions. Rates of cancer, diabetes, asthma and other diseases are higher in our province than the national average. This creates a lower quality of life, lower productivity, and results in higher health care costs. About 60% of our health care budget is consumed by chronic conditions like diabetes and asthma.<sup>18</sup> Chronic conditions account for about \$2.2 billion of today's health budget.<sup>19</sup> 40% of chronic conditions are preventable.<sup>20</sup> 40% of \$2.2 billion is \$880 million. That figure is a very rough estimate, which gives a sense of where to start in terms of saving money in the public health care system while also improving care and keeping people healthy.

If we want to significantly improve care and reduce costs, we need to expand primary and preventative care and keep people healthy in the first place. The report from Dr. John Ross is a step in the right direction.<sup>21</sup> By moving toward team-based, collaborative approaches to care we get a more complete approach to providing health care. One of the best ways to provide a team-based approach to primary and preventative care is through Community Health Centres.

For 2011–12 and over the next 3–5 years, the NSAB recommends that the provincial government:

Support existing community health centres. In recognition of the importance of community health centres, funding will be provided directly by the Department of Health and no longer by District Health Authorities — \$10 million per year in new spending

Support opening 10 new community health centres to meet needs — \$30 million per year in new spending.

Total Investment in Primary Health Care: \$40 million

### **Early Childhood Development and Education**

“Investment in the early years provides one of the greatest potentials to reduce health inequities within a generation. Ex-

periences in early childhood (defined as prenatal development to eight years of age), and in early and later education, lay critical foundations for the entire life course.”<sup>22</sup> These investments are important for the parents of these children, resulting in less stress balancing work and family life. For society as a whole, the investment has significant social returns, as well as economic benefits, improving quality of life for everyone.

#### *A System-Approach to Early Learning and Child Care*

The foundation laid in the early years of life is critical to learning and development. While no one disagrees with this statement, the state of child care, let alone early childhood learning, in our province and indeed, our country suggests that our priorities are all wrong. Not enough licensed child care spaces exist to meet the needs of working families who struggle under the enormous stress of finding, and being able to afford, good quality child care. Child care is essential to women's equality and to providing equal opportunities for children. Child care is an important part of lifelong learning. Child care can improve Nova Scotia's economic competitiveness. Knowing all this means that we should make a considerable public investment in child care and put in place a system of Early Learning and Child Care (ELCC) that is comprehensive, quality, affordable, accessible, inclusive and not-for-profit.

Nova Scotia does not have adequate financial resources invested in early learning and child care and it lacks a coherent vision and system. It is well past time in Nova Scotia for a public early learning and child care system that recognizes the critical importance of child care for achieving important societal goals such as women's equality, better work/life balance for parents, and support for reducing health inequities as outlined here.

The market-based approach to child care has failed. The result is a patchwork of child care paid for primarily by parents via high fees, provided by poorly-paid workers (mostly female) and one that does not come close to meeting the demand. Setting up a system that offers universal entitlement to programs provided by reasonably paid and well-trained staff, with democratic governance requires substantial change. Building a new system requires the involvement of all those who have a stake in the outcomes.

As a first step, the Alternative Budget Working Group recommends the phased-in introduction of full day seamless early learning and child care for four and five year olds in Nova Scotia. This would begin to meet the needs of both children and their parents. Additional spaces for infants and toddlers



are also urgently needed and this must be a priority. Existing non-profit child care centres will need “start up” funding to convert the space formerly occupied for 4 year olds so they can provide more infant and toddler spaces. This could occur in tandem with the implementation of universal care for four year olds. Additional funding is needed for staffing because of the lower early learning educator to child ratios for younger children and babies.

The provincial government needs to take a planned and strategic approach to creating a real Early Learning and Child Care system. To implement this program in September 2011 in the 19 test sites, which had already been used by the Pre- Primary ‘pilot’ Program cancelled by the previous government. Little, to no renovations would be required.

**For 2011–12, the NSAB recommends that the Provincial Government:**

- **Introduces a phased-in pre-primary learning and child care system in 19 sites in September 2011 — \$2,375,000 in new spending**
- **Provide additional funding for existing non-profit centres to provide additional care for children under four, including francophone programs — \$5 million**

**Over the next 3–5 years, the NSAB recommends:**

- **Develop a comprehensive and integrated public ELCC system that meets the care and early education needs of both children (birth to 12) and parents, which includes targets, timelines and accountability measures. A new system for the governance and management of this system is an integral part of this development and the work on this should begin immediately.**

**Total Investment in Early Learning and Child Care: \$5.375 million**

## Investment in the Conditions of Learning

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### Primary to 12 Education

There is a misleading debate in Nova Scotia about the affects of declining enrolment on the school system. The conclusion is that given declining enrolments, the system is over-funded. Determining the appropriate funding for the public education system requires a much more complex analysis that recognizes what the current system is funded to do. The purpose of the

Alternative Budget is to recommend new spending that would enhance our ability as a society to achieve greater economic and social justice in our province. To that end, we support adequately funding a public system that is an inclusive, student-centred education system for the Twenty-First century. This is much more expensive than one that flows from a model of an authority, the teacher, espousing wisdom from the front of the class to a set number of students without considering who those students are and what additional supports the teacher might need. Autism and other learning disabilities were not even identified as such 20 years ago. The only educational model that fits the needs of today’s students and a knowledge economy is one that provides the time and opportunity for teachers to work with each of their students, using new approaches to assessment for learning and differentiated instruction. A simple ratio of child to teacher does not reflect the current reality of education needs.

In addition, the need to address the inclusion of African Canadian<sup>23</sup> and Mi’kmaq students is more pressing than ever, yet it is clear that despite the best intentions of teachers, school boards and the Department of Education, there are insufficient resources. The Alternative Budget working group believes in these goals and supports funding programs to achieve them. In addition, we invest additional funds into Acadian and French Language Services. This is doubly justified given that the Acadian School Board is the only board that has seen its student numbers grow, if ever so slightly.

**The NSAB recommends an immediate cash injection for classroom supplies in our public education system.** Because of a lack of public funding, teachers are often forced to purchase classroom supplies out-of-pocket, this creates disparities between classrooms and puts an undue financial barrier on teachers. When our schools need to raise funds to buy paper and tissues, we have a major problem. The NSAB recommends \$300/classroom in an immediate cash injection.

**The Nova Scotia Alternative Budget Working group recommends additional investments into the primary to 12 education system as follows:**

- **\$300 to every classroom for school supplies (\$1.5 million);**
- **10% increase in budget for students with Special Needs, \$12.5 million**

- **\$6 million targeted towards African Nova Scotian, Aboriginal, Acadian/French Language Services and ESL learners**

#### **Total Investment in P-12: \$20 million**

#### **Post-Secondary Education**

If our province is to overcome challenges such as an aging population, skills shortages, youth out-migration, and slow economic growth we must invest in post-secondary education. Policy decisions that jeopardize public post-secondary education in the interest of balancing the province's budget under the current timeline could seriously threaten the long-term economic and social health of the province.

#### **University Funding and Tuition Fees**

On February 1, the government announced that it will cut funding to universities by four percent in the 2011-12 budget year, and allow undergraduate university tuition fees to increase three percent in 2011-12 and for the next two years following. The government also indicated that upcoming negotiations for a new funding agreement with Nova Scotia universities will begin from the starting point of reductions in transfer payments. Once again, students are asked to pay more, but get less.

High tuition fees are a contributing factor to out-migration, and affect Nova Scotia's ability to attract youth to the region. Between 1999 and 2007, the number of students originally from Nova Scotia studying at Memorial University increased ten-fold, from 64 students in 1999-2000 to 725 students in 2006-07. The Maritime Provinces Higher Education Commission (MPHEC) attributes this increase partially to a demographic shift as well as "a tuition [fee] decrease and freeze at the Memorial University of Newfoundland," adding that "government policies relating to tuition seem to influence in which province students attend university."<sup>24</sup>

In order to maintain the tuition fee freeze, the NSAB recommends that the government increase funding to universities by five percent or \$17 million and hold the universities accountable for spending it to reduce fees.

The NSAB also recommends that the government invest an additional \$21 million in the Nova Scotia Student Bursary fund to eliminate the differential fee for out of province students and reduce fees for international students.

**The government should also work across departments and sectors to produce an integrated strategy for 'Green**

**Jobs' to retain the best and brightest graduates here in Nova Scotia to work towards the transformation to sustainable prosperity.** Burgeoning fields of study and employment include renewable energy, energy efficiency, and conservation, as well as the associated planning and policy work required to achieve the sustainable future envisioned for Nova Scotia.

#### **Community College Funding and Tuition Fees**

For many, the NSCC is the most accessible avenue for post-secondary education and skills training. The NSCC can also play a pivotal role providing re-training opportunities. However, there are two barriers to NSCC's ability to fulfill this role: tuition fees and a lack of spaces.

**The Nova Scotia Alternative Budget reduces tuition fees by 50% over two years with a cost of \$14 million per year.**

This policy 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 and allow a student to take the first two years of their degree in their community.

#### **Student Debt**

Tuition fee increases have a significant impact on student debt in Nova Scotia, with students graduating with unprecedented debt loads. Average student debt in Nova Scotia after an undergraduate degree is about \$31,000.

The most effective way of reducing student debt is to reduce tuition fees. By eliminating the upfront financial barrier of tuition fees, the government also saves money on back-end debt reductions programmes and tax credits because fewer students are required to use these programmes. Legislated tuition fee reductions would provide a long-term vision for tuition fee levels, and give students, universities, and the government the necessary information to plan for the future.

By directly reducing student debt through grants, the province would save money on debt management costs including in-study interest, repayment assistance, and defaults. More public funds would directly reach students, improving access for those students who currently cannot access assistance or who are forced to borrow money and to pay back the principle plus interest after graduation.

**The NSAB recommends that the government immediately increase the Nova Scotia Student Grant to 60% of every student's provincial student loan, and introduce a plan that would shift student financial assistance in Nova Scotia away from a debt-based system and towards a grants-based system.**

**The NSAB recommends that the government reinvest money allocated (\$14 million in 2010–11) for the Graduate Retention Rebate to help cover the cost of increases in the grants program.**

**The NSAB recommends the government immediately repeal regulation 67 of the ESIA act allowing students to access ESIA if they qualify based on financial need.** Currently, the Nova Scotia Government provides a grant of \$20 per week to students with dependents. This cost does not come close to addressing their income, nor does it address costs faced by students with disabilities or students with dependents with disabilities.

**Total Investment in Post-Secondary Education: \$52 million**

## Investments in Living Conditions

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### Moving toward Environmental Sustainability

A key determinant of health is our physical environment — the air we breathe, the water we drink. The natural environment, including the built environments in which we live, are powerful determinants of health and include the provision of adequate housing.

Several government policies and strategies could either be refocused or strengthened and aligned with strong goals for achieving environmental sustainability.

## Energy

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### Support Community Power

The Nova Scotia government has set several targets and policy goals for the transformation of the Nova Scotia electricity sector that call for a reduction in pollution and dependence on expensive imported coal, and move us towards the use of domestic renewable resources. These goals could lead us to become more economically, socially and environmentally sustainable, and help focus on sustainable prosperity and a green economy.

For example, the province has set a target of procuring 25% of its electricity supply from renewable resources such as wind, hydro-electricity, tidal and biomass by 2015. Although 25% is a reasonable demand by Canadian provincial norms, it could be more aggressive. One third of this energy is expected to be procured from Community Feed-In Tariffs (or COMFITs). COMFITs are aimed at increasing community-level participation in the electricity sector by providing long-term fixed electricity prices for small-scale renewable energy projects. Feed-In Tariffs have been used in over 60 countries as a means of 'levelling the playing field' between traditional, fossil fuel electricity supplies and new renewable supplies.

Currently, community renewable projects are limited in their success in Nova Scotia. One of the major obstacles to the success of the COMFIT is access to debt/equity financing and the ability to mobilize the capacity of community volunteer CEDIFs, debt-ridden municipalities and under-resourced First Nations to successfully and sustainably develop renewable projects to meet provincial policy goals. **The Nova Scotia government should seek to develop a loans program with small-scale lenders.**

In relation to the COMFITs, there is also no mention of solar power, which is a huge oversight. The evidence on solar in Nova Scotia is clear: the potential for this industry is great, but we need more opportunities for small-scale community-based business to take this on and make it a reality.

The Alternative Budget Working Group also recommends that government further investigate if changes are required to the Nova Scotia electricity market-place to support the transformation of the electricity distribution and transmission grid to renewable electricity.

### A New Provincial Energy Policy

When it comes to energy policy, jurisdictions in the twenty-first century need to address two key questions with a view to become a low-carbon society, and to avert catastrophic climate change.

- What energy services are needed in the future?
- Where will the energy come from to meet the energy needs of these services?

**To address questions around the development of a Provincial Energy Policy, the NSAB recommends that the Provincial Government develops a new energy policy based on the four 'R's':**

**Review: understand the present energy mix, the services, and where energy can be obtained in the future.**

**Reduce: consume less energy overall via conservation measures or energy efficiency gains.**

**Replace: replace existing insecure energy sources with ones that are secure, environmentally benign, and sustainable.**

**Restrict: restrict new demand to energy sources that are secure, environmentally benign, and sustainable.**

## Water

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Water governance is complex, as this resource falls under multiple jurisdictions, with private well owners, municipal governments, and the provincial government all assuming roles and responsibilities for the protection, maintenance, and delivery of drinking water. Released in December 2010, the long-awaited *Water for Life: Nova Scotia's Water Resource Management Strategy* provides some analysis of the scope of the task of managing water, the value and importance of water, and outlining broad goals, however is short on tangible goals other than the establishment of a water advisory group. Although it was a good first step to bring all of the stakeholders together and establishes the water advisory group, it fell seriously short of expectations.

### **Bottled water-free NS?**

In the spring of 2010, Nova Scotia became the first province or territory in Canada to commit to phasing out the sale and provision of bottled water in provincial facilities. What this means is that the province will no longer be spending the money on providing bottles of water at meetings, and instead show commitment and pride in the tap water we have available in Nova Scotia. Implementation of this commitment has not been announced, so we assume this has not occurred as of yet.

### **Water as a Human Right**

In July 2010, the United Nations General Assembly voted to recognize water as a human right, making the right to water international law. However, it is also treated as a commodity in Nova Scotia. This leaves our water supplies vulnerable to private market practices. Further, water is a resource, which is difficult to regulate, as the users of the water supply do often not

own the lands that contain the watershed for any given source. This leaves our watersheds vulnerable to contamination.

For 2011–12, the NSAB recommends that the Provincial Government:

- Prohibit the use of public private partnerships for the provision of a human right
- Ensure access to potable water in all Nova Scotian communities, and legislate access to public water via taps in larger urban centres with appropriate levels of funding to implement the legislation
- Eliminate industrial extraction of water for private profit (bottling plants)
- Implement the phase-out of bottled water at meetings and in government offices
- Invest \$1 million to establish a provincial public water infrastructure fund, which can assist municipalities with wastewater treatment facilities
- Establish standards for water use for industrial purposes and agri-business

Investment in Water infrastructure: \$1 million

## Making Life Healthier and More Affordable

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### **A Housing First Approach**

Affordable, safe and adequate housing for all people in Nova Scotia provides stability and is a key driver in the positive social determinants of health. The provincial government must make more affordable housing available especially to those living in poverty and specifically targeting the working poor. A lack of adequate, affordable housing can aggravate other problems associated with low income. Individuals and families who have to spend a disproportionate amount of their income on rent often face food insecurity and possible malnutrition.

Housing affordability is affected by several forces; policy decisions in income support combine with those related directly to housing to contribute to housing insecurity, and increased stress, morbidity, mortality, social exclusion, illness, and disease.<sup>25</sup> By definition, the social determinants of health require intervention by all three levels of government, but particularly by senior governments that have the revenues to support ac-

tion. The private market cannot meet the needs of people who cannot afford to purchase private goods and services.<sup>26</sup>

For 2011–12, the NSAB recommends that the Provincial Government:

- Develop a policy approach that promotes a provincial housing strategy with clearly established targets and timelines for affordable and appropriate housing in rural and urban parts of the province.
- Recognize housing as a basic human right that affects the other social determinants of health. Housing has been deemed a human right by the United Nations' International Covenant on Economic, Social and Cultural Rights to which Canada and all the provinces are signatories.
- Support Bill C-304, a petition for a National Housing Strategy, to be passed and enforced by all provinces and territories.
- Increase the amount of provincial funding earmarked to build new affordable housing units by allocating \$200 million over three years, beginning with \$60 million this year.  
Investment in Affordable Housing: \$60 million

### **Public Transportation**

Transportation between rural and urban Nova Scotia will be key to economic success and revitalizing the rural economy and connecting it to the vibrant Halifax economy.

There are many models of public transportation around the world that Nova Scotia could draw on to explore how to innovative ways to provide vital linkages between communities. New technologies provide easier and faster ways of connecting people to ensure that we create sustainable transportation systems.

We also recommend that any new services are affordable and accessible including (and especially) for people with disabilities. Financial support should be targeted to the Community Transportation Assistance Program (CTAP). Launched in 2001 by Service Nova Scotia and Municipal Relations, the CTAP has grown from four programs to eleven. Known as dial-a-ride or community-based transportation, the mission is to provide affordable and accessible transportation to rural Nova Scotians.

For 2011–2012, the NSAB recommends that the Provincial Government:

- Provides an initial investment to finance the creation of a provincial transit corporation, Transit Nova Scotia and additional funding for the Community Transportation Assistance Program — \$20 million in new spending

In the 3–5 year range, the NSAB recommends:

- An annual subsidy of 25% to 60% of total operating costs — estimated at about \$6 million until the service becomes established and fully accessible

Investment in Public Transportation: \$20 million

### **Public Auto Insurance**

**The NSAB recommends the creation of a Public Insurance Corporation.**

The Nova Scotia NDP promised to bring in a public auto insurance corporation in the 2003 and 2006 elections. This promise was notably absent in 2009 and was not part of the review process set up this year.<sup>27</sup> As was recommended in our alternative budget last year, the need for public ownership in the insurance industry is important to control costs and stop consumers from being gouged.<sup>28</sup>

**For 2011–12, the NSAB allocates a one-time investment of \$15 million for initial capitalization to create a Public Insurance Corporation.**

Investment in Public Auto Insurance: \$15 million

### **Improve Prescription Drug Coverage**

In September 2010, the provincial government launched the Fair Drug Prices Review. This was in response to similar actions in other provinces, most notably Ontario. The Fair Drug Prices Review was designed to review the cost of generic drugs, to bring the cost of generics down, both for consumers and for provincial pharmacare programs.

**The NSAB recommends a hard cap on the cost of generic drugs, as in Ontario, at about 25% of the name brand.**

The NSAB recommends that any money saved through the Fair Drug Prices Review be reinvested to improve or expand provincial Pharmacare Programs.

Cost: Revenue neutral

### **Dental Care for Children**

Dental care is an important part of our health care system and is a critical component of maintaining overall health. Unfortunately, it is also one of the most privatized parts of the

system, forcing families to pay out-of-pocket for dental care. Currently, the Government of Nova Scotia only covers 5.1% of the cost of dental health care in the province, down from 17.2% in 1990. The rest is paid either out-of-pocket (about 41%) or by employer-provided insurance (about 53%)<sup>29</sup>.

The NSAB increases funding to the Children's Oral Health Program by \$3.3 million and increase the age limit from 10 to 16, expanding coverage to an additional 65,000 children in Nova Scotia<sup>30</sup>.

Investment in Dental Care for Children: \$3.3 million

## Bill the Federal Government

These are the priorities for additional spending in our alternative budget for 2011–12. While our recommendations are directed to the provincial government, we emphasize that the federal government must also do its part. Federal transfers did not increase in the current fiscal year and the federal government has reneged on leading and investing in strategies to ensure that all Canadians have equal opportunity. The federal government was at the table assisting fiscally on these four items, but in the 1990s, it vacated this space and downloaded responsibilities onto the provinces. The Alternative Federal Budget lays out how it can and should reoccupy this space.<sup>31</sup> **The Nova Scotia Alternative Budget recommends that a bill be sent to the federal government to cover 50% of the costs of the additional investments proposed here for post-secondary education, health care, child care, and affordable housing.**

Total Bill to the Federal Government: \$49.875 million

## Notes

1 CSDOH, 2008,p.3.

2 There are different lists of the social determinants of health. See for example, Health Canada, *Taking action on population health: a position paper for health promotion and programs branch staff*, Ottawa: Health Canada, 1998; or Dennis Raphael, *Social Determinants of Health: Canadian Perspectives*, 2008.

3 Department of Finance, Budgetary Assumptions and Estimates 2010–11. <http://www.gov.ns.ca/finance/site-finance/media/finance/budget2010/AssumptionsSchedules2010-11.pdf>

4 Growth projections

5 Richard D. Wolfe, 2011, "How the Rich Soaked the Rest of Us", The Guardian, March 1. <http://www.guardian.co.uk/commentisfree/cifamerica/2011/mar/01/us-taxation-public-finance>

6 Ibid.

7 The income tax reform also includes a tax rebate for low-income earners. A detailed calculation and explanation of the NSAB's income tax reform proposal is available upon request.

8 For more information on the cruise industry, see Ross Klein various reports published by the Canadian Centre for Policy Alternatives. Most recently published, *Cruising without a Bruising*, <http://www.policyalternatives.ca/publications/reports/cruising-without-bruising>

9 Nancy Krieger, D. Rowley, A. Herman, B. Avery, & M. Phillips, "Racism, sexism, and social class: Implications for studies of health, disease, and well being," *American Journal of Preventive Medicine*, 9(6), 1993, pp. 82–122.; D. Williams, & C. Collins, C., "U.S. socioeconomic and racial differences in health: Patterns and explanations," *Annual Review of Sociology*, 21, 1995, pp. 349–386; as cited in Lesley Frank, *NS Child Poverty Report Card 2010*, Halifax: CCPA-NS, 2010.

10 R. Wilkinson, R. & K. Pickett, K, IBID.

11 Lesley Frank, *NS Child Poverty Report Card 2010*, Halifax: CCPA-NS, 2010.

12 Angella MacEwen, & Christine Saulnier, *The Cost of Poverty in Nova Scotia*, Halifax: Canadian Centre for Policy Alternatives- Nova Scotia, 2010. Available at <http://www.policyalternatives.ca/newsroom/updates/did-you-know-poverty-costs-nova-scotia-least-1-billion-year>.

13 National Council on Welfare, *Welfare incomes 2009*: Nova Scotia, 2010, Ottawa: National Council on Welfare.

14 This after-tax LICO is for Halifax for the family size indicated.

15 Numbers used to calculate the costs are 2006 numbers from HRSDC, *Social Assistance Statistical Report, 2006*. [http://www.rhdcc-hrsdc.gc.ca/eng/publications\\_resources/social\\_policy/fpt/page06.shtml](http://www.rhdcc-hrsdc.gc.ca/eng/publications_resources/social_policy/fpt/page06.shtml) While the number of recipients have declined slightly in 2007 (the most recent data available), we anticipate that more recent numbers would show an increase due to the recession and have opted for the slightly higher numbers.

16 Rene Ross et al., *Survival Strategies: Women on Employment Support and Income Assistance in Nova Scotia provide their key recommendations for policy reform* (Antigonish Women's Centre, Pictou County Women's Centre, Second Story Women's Centre, Sydney, 2006): p.9.

17 This is an estimation knowing that 3800 recipients reported receiving employment income in 2006. HRSDC, *Social Assistance Statistical Report, 2006*. [http://www.rhdcc-hrsdc.gc.ca/eng/publications\\_resources/social\\_policy/fpt/page06.shtml](http://www.rhdcc-hrsdc.gc.ca/eng/publications_resources/social_policy/fpt/page06.shtml)

18 Ron Colman, Cost of Chronic Disease, GPI Atlantic, 2002. [http://www.gov.ns.ca/health/reports/pubs/cost\\_chronic\\_disease.pdf](http://www.gov.ns.ca/health/reports/pubs/cost_chronic_disease.pdf)

19 The GPI Atlantic example takes 60% of the entire health budget. Based on 2009–10 Health budget of \$3,634 million.

20 [http://www.gov.ns.ca/health/reports/pubs/cost\\_chronic\\_disease.pdf](http://www.gov.ns.ca/health/reports/pubs/cost_chronic_disease.pdf). Ron Coleman. GPI Atlantic, 2002.

21 <http://www.gov.ns.ca/health/emergencycarereport/>

22 CSDOH, 2008, p.8.

**23** Enid Lee, *Reality Check: A Review of key program areas in the BLAC Report for their effectiveness in enhancing the educational opportunities and achievement of African Nova Scotian learners*, 2009.

**24** *Surveying the Enrolment Landscape: Factors and Trends in Maritime University Enrolment: 2000–2001 to 2005–2006*. Maritime Provinces Higher Education Commission, June 2007.

**25** Public Health Agency of Canada (PHAC). *The Social Determinants of Health: Housing as a Determinant of Health*. Ottawa: PHAC, 2002. [http://www.phac-aspc.gc.ca/ph-sp/oi-ar/09\\_housing-eng.php](http://www.phac-aspc.gc.ca/ph-sp/oi-ar/09_housing-eng.php)

**26** Ibid.

**27** <http://www.thestar.com/news/canada/article/648090> (accessed February 25, 2010) NDP Platform 2009 <http://www.ns.ndp.ca/assets/nsndpcommitmentslores.pdf> (accessed February 25, 2010)

**28** The Consumers' Association of Canada, <http://www.consumer.ca/index.php4?id=1558>

**29** NS Oral Health Review, [http://www.gov.ns.ca/hpp/publications/o8-35069-Oral\\_Health\\_Review.pdf](http://www.gov.ns.ca/hpp/publications/o8-35069-Oral_Health_Review.pdf). Accessed Nov 3, 2009

**30** Under 40% of children actually access the program because of the "insurer of last resort" status. There are approximately 167,902 children aged 16 and under in Nova Scotia according to the Department of Finance. Cost per beneficiary is \$108. Based on these numbers, the total cost of COHP would be \$7.3 million, an increase of about \$3.3 million per year to extend coverage to an additional 65,000 children.

**31** Rethink, Rebuild, Renew: A Post-Recession Recovery Plan, Alternative Federal Budget 2011, [www.policyalternatives.ca/afb2011](http://www.policyalternatives.ca/afb2011)

## Acknowledgements

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

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