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Forward to Fairness

Nova Scotia Alternative Budget 2012

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Preamble: Alternative Budgeting

FOUNDED IN 1999, the Nova Scotia office of the Canadian Centre for Policy Alternatives (CCPA-NS) promotes policies that are socially and economically just, as well as environmentally sustainable. As a non-profit membership-based organization for research and analysis, the CCPA-NS seeks to foster accountable, just and equitable public policy. It produces in-depth research papers, as well as short commentaries, on a variety of issues.

Since 2000, the CCPA-NS has produced annual Alternative Provincial Budget documents to highlight that provincial budgets, like all public policies, are about choices and values. The Nova Scotia Alternative Budget (NSAB) is a form of popular economic education to show people how government budgeting works, that alternatives do exist, and that they can help shape those alternatives. It seeks to spark debate, to provide progressive organizations and individuals with tools to advocate for social, economic, and political alternatives, and to underline the implications of budget decisions for individuals, families and communities. The NSAB also provides an opportunity for a collective, broad-based approach to budget-making, and provides a process for building and strengthening links between and among various communities.

The NSAB is modelled after the CCPA's Alternative Federal Budget, which has just released its 17th edition, entitled *A Budget for the Rest of Us*. This year's AFB outlines "a blueprint to help Canada avoid a lost decade of high unemployment, depressed incomes, chronic insecurity, and shattered dreams for a generation of youth." Go to www.policyalternatives.ca to access the full AFB 2012.

Although the NSAB is focused on provincial government spending and taxation, Section 36 of the 1982 Canadian Charter of Rights and Freedoms requires the federal and provincial governments to remain committed to "providing essential public services of reasonable quality to all Canadians" and to providing "equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation." Accordingly, the NSAB does address the obligations of the federal government to the residents of Nova Scotia under the Charter, the Canada Health Act and the Income Tax Act, among a few of the other legislative obligations.

The NSAB supports the implementation of the spending and taxation recommendations in the CCPA AFB. Further, the NSAB believes that the federal government must play a significant role to develop adequately funded pan-Canadian strategies on issues including early learning and child care, housing, poverty reduction, and post-secondary education along with the Canada Social Transfer and renegotiation of a Health Accord.

Introduction

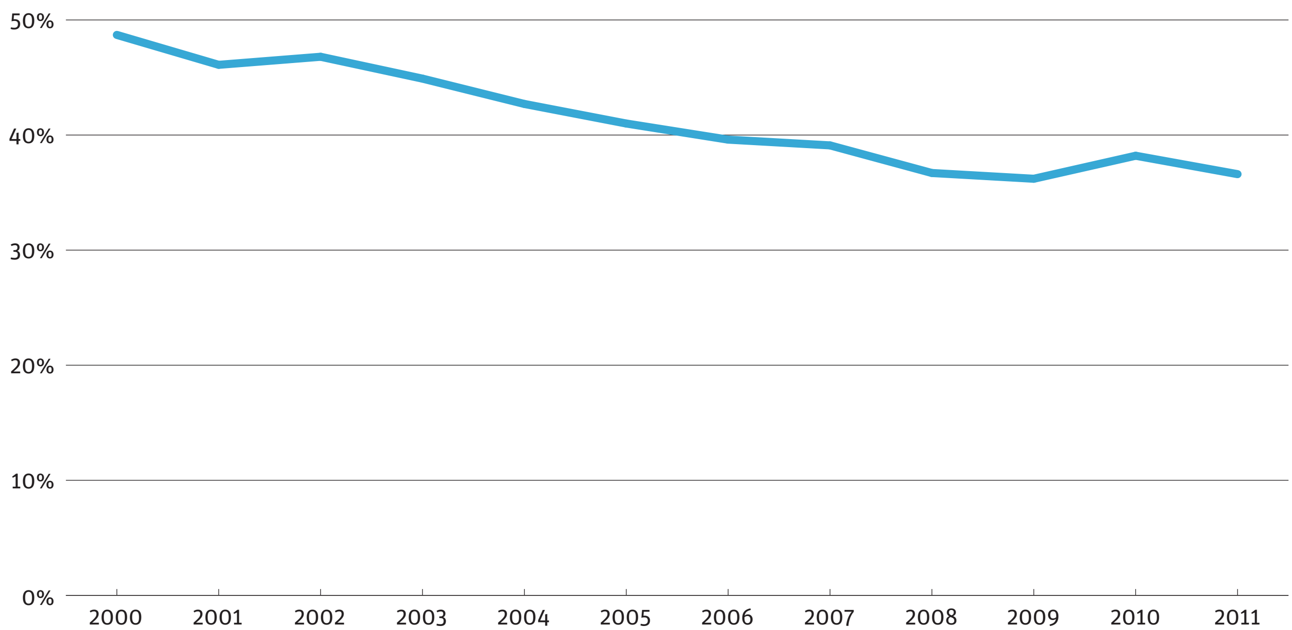
THE CURRENT NOVA SCOTIA NDP government's obsession with budget deficits and getting "back to balance" (e.g. paying down the deficit) through austerity measures is misplaced.

First, just as the ability of a household to finance debt depends on its income (the more income you have, the more debt you can safely carry), the ability of a government to carry debt safely depends on its Gross Domestic Product (GDP). Thus, it is not the exact amount of the deficit or the absolute level of debt, but the debt-to-GDP ratio that should be governments' focus in maintaining sustainable finances. **Nova Scotia's ability to manage the debt, as measured by the debt-to-GDP ratio, has improved significantly over the past decade.**

Figure 1 depicts Nova Scotia's debt-to-GDP ratio from the 1999–2000 fiscal year to 2011–12.[1] The ratio has dropped from 48.7% in 2000 to 36.6% in 2011. There is no danger of a debt crisis with debt-to-GDP ratios this small and falling; the deficit has already been reduced to the point where GDP is growing faster than new debt. There is no urgent need to balance the budget so quickly, especially given the province's fragile recovery from the deep recession.

Second, economic growth alone will drive down the debt-to-GDP ratio. Over time, inflation and higher levels of GDP generate greater tax revenues, which reduce deficits. Unfortunately, in adhering to its rigid schedule of balancing the budget by the 2013–14 fiscal year, the government is not allowing enough time for growth to have a significant impact on the deficit.

FIGURE 1 Nova Scotia's Debt-to-GDP Ratio, 2000–11

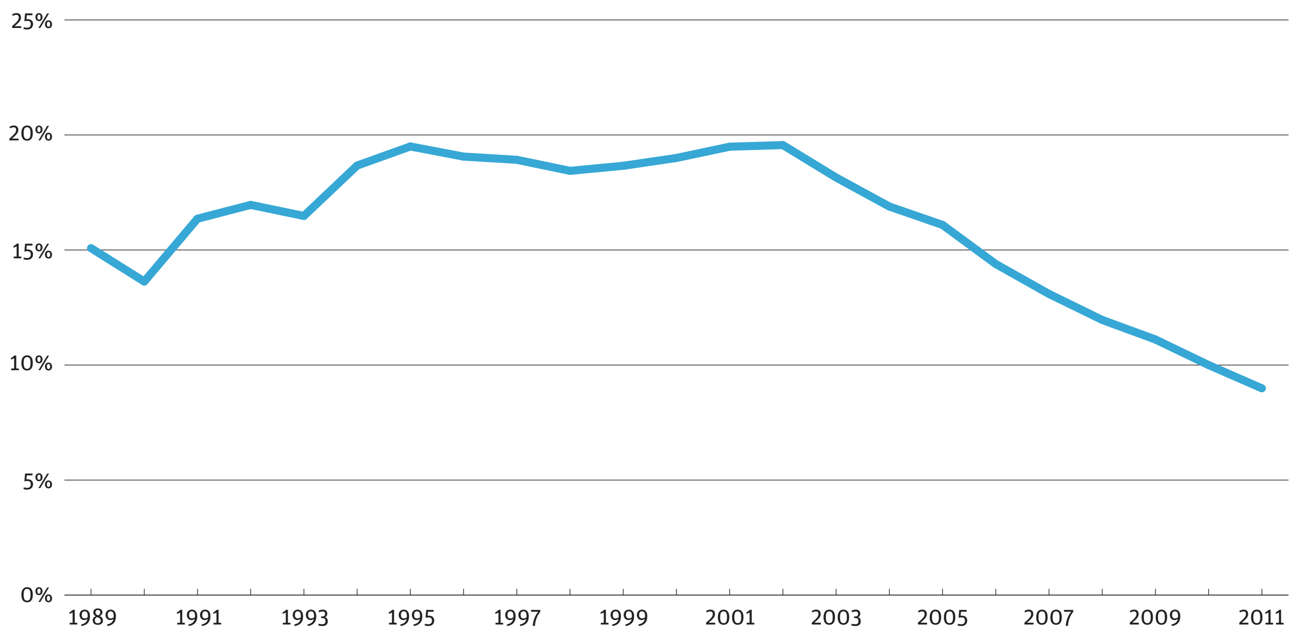


Third, since the ability of the province to pay for its debt depends on its GDP, it makes sense to consider debt costs as a percentage of GDP, depicted in *Figure 1* from 1989 to 2011.[2] Due to the combination of falling interest rates and GDP growth, **debt charges as a percentage of GDP have fallen dramatically** from a peak of 5.1% in 1995 to the current level of 2.2%. From this perspective, managing Nova Scotia's debt is not particularly onerous. Furthermore, the trend of declining relative debt costs should continue for the foreseeable future. We are not spending beyond our means to manage debt.

Fourth, even the **percentage of expenditures for interest payments on the debt reveals a dramatic decline** from a high of 19.56% 2002 to 9% in 2011 (see *Figure 2*). The absolute dollar figures for the deficit, the debt or the interest payments, are not as significant as the ratio and indeed do not tell us much of anything about the state of the province's finances. As the NSAB also demonstrates, the provincial government needs to increase its revenue base. If we were to increase our revenue base, the percentage would go down even further.

Fifth, accumulated debt is **deferred taxation**—the debt must be paid by taxpayers in the future. However, these future taxpayers are the ones who will ultimately benefit from the investments made in government programs

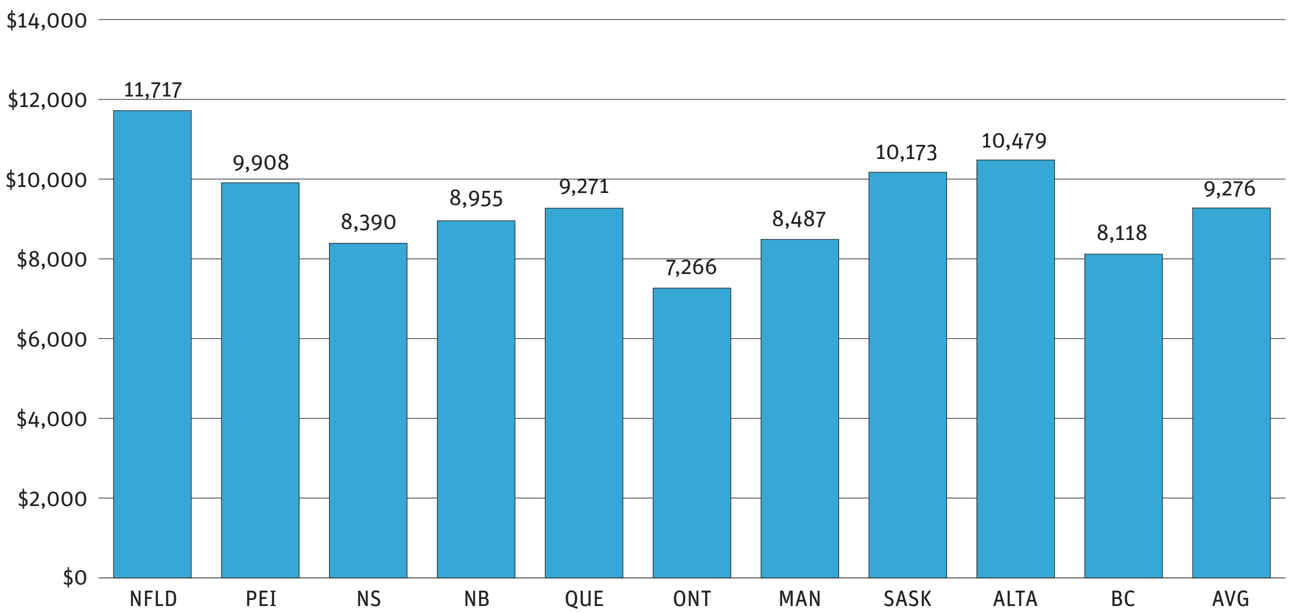
FIGURE 2 Nova Scotia Debt Charges as a Percentage of Total Government Expenditure



today — like public education or post secondary education or preventative health programs. It is not inequitable to pay the full costs of these investments over time. Furthermore, because of growth, the ability to pay will be greater in the future.

Sixth, some pundits will always claim public spending is too high regardless of provincial tax levels. **The province of Nova Scotia is hardly a big spender**. From 1990 to 2006, Nova Scotia consistently invested less than most of the other provinces, and when it did invest, it was usually among the least of the provinces and usually with the lowest level of program expenses. Further, we have always spent less on a per-capita basis than the Canadian provincial or the Atlantic average. The increased spending that occurred under the previous provincial Conservative government hardly made-up for the deep federal government cuts in the 1990s, which we are still attempting to recover from. As can be shown in *Figure 3*, at $8,390, Nova Scotia has the third lowest level of per capita program expenditure and the lowest in Atlantic Canada. The national average of $9,276 is 10.5% greater than Nova Scotia's. To bring Nova Scotia in line with the national average, expenditures would have to rise by over $800 million. Nova Scotia's programs are already comparatively underfunded; further cuts can only make the shortfall greater.

FIGURE 3 Per Capita Provincial Program Spending, 2009



The Costs of Austerity

In his 2011–12 Budget Address, current Finance Minister Graham Steele confirmed the provincial government's focus on austerity measures to achieve a balanced budget as follows:

> Another key component of the "Back to Balance" consensus is that there needs to be both increases in revenue and spending restraint, but with a significantly larger emphasis on restraint. So for every $1 in new revenue, we are committed to finding between $3 and $4 in restraint.[3]

Over the past two years, the provincial government has made substantial cuts to the monies it provides to district health authorities, school boards and universities in the province. Spending has been restrained in departments of the public service — including health, education, and post-secondary education. Such austerity measures impose significant costs on all Nova Scotians.

The most obvious cost of austerity is the adverse effect that program cuts have on the level and quality of government services. Recently, the government asked all district health authorities to cut spending by 3% (a significantly greater cut once increased costs from inflation are factored in).

Across-the-board cuts cannot help the provincial government keep its promise to "bring better health care to you and your family."[4] Likewise, across-the-board cuts to regional school boards have been followed by school closures.[5] The province's universities have responded to the reductions in their budgets by raising tuition. Can the government claim to "make life more affordable" when it downloads the cost of a university education onto cash-strapped students and their families? Austerity has costs.

The provincial government's insistence on attacking the deficit through austerity will also impose a cost on the province's economic performance. Provincial government program expenditure makes up almost 25% of Nova Scotia's GDP; thus, aggregate expenditure cuts can have an adverse direct effect on GDP growth.[6]

Furthermore, government expenditure is subject to a multiplier effect: real reductions in public sector wages and employment, for example, will force these employees to reduce their spending, further reducing GDP and lowering incomes in their communities. Thus, the total impact of government expenditure cuts to GDP growth is greater than the direct effect of simply a reduction in money spent.

The government's cuts and the subsequent slowing of the economy also reduce employment. Indeed, as the result of recent and expected future budget cuts, numerous health and education employees and administrators, teachers, and public sector workers lose their jobs. The multiplier effect described above magnifies this impact. As public sector workers lose their jobs, they have less income to spend in their communities, putting further downward pressure on private sector employment.

The total impact of austerity on employment is substantial. The government estimated its expenditure management savings for its four-year plan at $772 million.[7] Assuming the cuts to each department are made in proportion to its weight in the budget and applying Statistics Canada's jobs multipliers for Nova Scotia, [8] the estimated impact of this austerity is the loss of well over **10,000** jobs.[9] These job cuts will be compounded by federal public service cuts, estimated to result in 5,400 jobs cut in Atlantic Canada. [10]

These jobs and service cuts will undoubtedly hit Halifax, where a number of public sector jobs are held, but where a large private sector employment base also exists. Public sector spending cuts are more likely to have a devastating effect on rural communities, where the public sector makes up a substantial portion of the economy. Many rural areas and small communities cannot afford to lose any more of their productive citizens and see their tax base further eroded.

This austerity agenda compounds the impact of the recession on our youth. Statistics Canada`s most recent data on unemployment of youth cry out for an immediate youth employment strategy. When Statistics Canada includes discouraged searchers and part-time workers who want more hours, the unemployment rate becomes 25.6% (29% for men and 22.5% for women) for those aged 15–24 in Nova Scotia.[11]

Cuts in public sector jobs disproportionately hurt women. In the federal public service, "more than half of public sector workers are women, representing 84 per cent of administrative staff in federal workplaces."[12] In Nova Scotia, women compose 67% and 85% of education and health employment, respectively.[13] Public sector jobs represent quality jobs, where pay is on average higher than private sectors jobs — 10% higher for federal public sector jobs. These jobs also provide good benefits to women often including extended health and maternity benefits. In addition, more women in the public sector have pensions (two thirds, as opposed to only one third in the private sector.) Pay equity campaigns in the public sector and the union advantage (with higher unionization rates than the private sector) have resulted in important gains for women. In addition to the loss of good jobs, these job cuts also represent the loss of services, and the creation of gaps that are more often filled without pay by women, such as more unpaid caregiving work.

Forward to Fairness: Nova Scotia Alternative Budget Summary

The Nova Scotia Department of Finance recently launched an interactive "Back to Balance" website, giving Nova Scotians an opportunity to try their hands at government budgeting. While the Finance Department deserves praise for providing citizens with insight into the budgeting process, numerous limitations were placed on meaningful input. For example, the exercise permits spending cuts up to 10 percentage points; however, it only allows the various income tax rates to be lowered or raised by 1 percentage point. These options are tipped in favour of spending cuts over tax increases.

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 1*). It focuses on restoring fairness with a balanced approach to help those currently in need, and ensure that the province is on the road to becoming more social and economically just, as well as environmentally sustainable.

TABLE 1 Nova Scotia Alternative Budget Summary 2012–13 ($ millions)

Strategic Investments (New Spending) 2012–13+A26 ($ million)	
Income Assistance	
Increase income assistance by 50 per cent	$120
Decrease employment income claw-back	$19
Cancel 'Your Energy Rebate' Program (redirect to income assistance)	-$89
Housing	
Establish a separate Department of Housing	$12
Investment in New Affordable Housing Stock	$60
Continuation and Expansion of Housing Support Worker Funding	$0.70
Increased Investment in social housing and supports	$2.4
Increase funding to existing housing programs including Home Ownership and Repair, Public Housing Subsidies and the Rent Supplement program	$5
Public Health Care	
Invest in sustaining current community health centres and establishing 10 new community health centres	$40
Fund the Federation of Community Health Centres of Nova Scotia	$0.50
Expand Children's Oral Health Program & fund new Chief Dental Officer position	$3.30
Hire 10 nurse practitioners and 12 new midwives	$2.6
Public Awareness Campaign	$0.50
Early childhood development and education	
Begin phase-in of universal Early Learning and Child Care Plan	$45
Adult Education and Literacy	**$6**
Primary to twelve education	
$300 to every classroom for school supplies	$1.50
Increase funding for Special Needs Services	$14.50
Targeted funding for African Nova Scotian, Aboriginal, and ESL learners	$6
Post-Secondary Education	
Increase Funding to PSE to reduce tuition	$30
Decrease NS Community College tuition fees by 50%	$16
Apprenticeship System Strategic Plan	$2.5
Eliminate student loans in NS	$25
Cancel Graduate Retention Rebate	-$25
Departmental Savings (in-study interest, redundant programs)	-$3.0
Funding to NSCAD (redirected from Innovation Fund)	$19
Redirect Innovation Fund	-$25
Crime Prevention Initiatives	$2.0

TABLE 1 CONTINUED Nova Scotia Alternative Budget Summary 2012–13 ($ millions)

Economic Development	
Rural Sustainability Initiatives	$3.0
Women's Economic Development Initiatives	$5.0
Water and Wastewater Infrastructure	**$30**
Public Transportation	
Provincial Transit Corporation	$20
Community Transportation Assistance Program	$1
Total New Investments (Net)	**$350.50**
Additional Revenue 2012–13 ($ million)	
Restoring Lost Progressivity	$92.10
Shifting Deductions to NS Tax Credits	$189.44
Capital Gains Tax Reform	$46.26
Total New Revenue	**$327.80**

The NSAB is a budget that brings us forward to fairness—to building inclusive communities and towards protecting and equitably sharing our collective resources. The NSAB aims to help build communities where people find support through quality public services. Considering the persisting inequities across our province, we need to approach public spending from the view that public services are an essential part of redistributing wealth and moving towards an equal society.

A lack of childcare in general, leaving aside the issue of cost, affordable housing, affordable post-secondary education, and a health care system that does not address primary health care needs, all contribute to poverty and inequity in our province. Young Nova Scotians are increasingly struggling to find work.[14] Cutting public services to balance the provincial budget will likely continue a trend of disenfranchising youth by further eroding access to employment and education. Most Canadian families do not make enough money to support their purchases and have debt equivalent to $1.50 for every dollar they earn.[15] Personal debt will continue to rise as government retreats from its responsibility to support Nova Scotians with public services and requires individuals to purchase the services they need.

The austerity approach of North American and European governments has not gone unnoticed. In the fall of 2011, inspired by the Occupy Wall

Street protest in New York City, people all across North America occupied public spaces for weeks and sometimes months to draw attention to the income disparity between the top 1% of income earners and the bottom 99%. The slogan "We are the 99%" came to represent a broad resistance to austerity, and a public discussion of the impacts of inequality under capitalism. Governments eventually expelled Occupy camps in Canada and in the U.S.; however, the protest movement engaged new people in the discussion about building societies that are fair and equitable.

This winter in Nova Scotia, more than 1000 post secondary students and their families and allies took to the streets to protest rising tuition fees and funding cuts. Over the past year there have also been several significant labour disputes, a trend that is likely to continue as workers respond to employer attacks on benefits like pensions and health plans, and demands for lower wages for new hires. Nova Scotians will continue to resist austerity measures in their communities and in their schools and workplaces if government cuts continue. The NSAB is but one tool that can contribute to demystifying the economic and budgetary decisions that have justified the austerity approach.

Fiscal Framework

THE NSAB MEETS financial goals without cutting employment, the level or quality of public services and without reducing economic performance. First, the NSAB suggests a more progressive taxation system so that the cost of deficit reduction is not borne by those least able to afford it. Second, the NSAB aims to eliminate the annual deficit in 2015–16, instead of 2013–14 as the provincial government plans. The NSAB does not try to balance the budget to fit the timing of the electoral cycle. The **electoral cycle should not determine economic policy.** Balancing a few years later makes more economic sense in Nova Scotia, because that is when economic growth should accelerate with the coming shipbuilding contract.

Table 2 represents the current budgetary situation for the province presented in the December economic update, and based on assumptions made in the 2011–12 budget.[16] The provincial government plans to balance the budget via "expenditure management" initiatives, i.e., across the board cuts in every sector to slash $772 million from departmental budgets by 2013–14. The NSAB challenges many of the assumptions upon which the government's "back to balance" plan is based, including the timeline necessary to achieve this goal and the best way to do so.

Table 3 represents the overall budgetary transactions of the NSAB. The NSAB contributes strategic investments (new spending) of $492.5 million, which is paid for by reallocating $142 million in spending from ineffective programs and by raising additional revenue via tax changes ($327.80 million). The NSAB has also assumed that, to keep existing programs at their

TABLE 2 Nova Scotia Department of Finance

Budgetary Transactions ($ thousands)	2011–12	2012–13	2013–14	2014–15
Revenues	8,793,900	8,989,200	9,336,800	9,545,300
Expenditure (inc. Debt Service)	9,163,900	9,205,000	9,321,400	9,480,900
Budget balance	-365,200	-215,800	15,400	64,400
Debt to GDP	36.6 %	36.2%	34.9%	33.6%

TABLE 3 Nova Scotia Alternative Budget

	2012–13	2013–14	2014–15	2015–16
Revenues	$9,379,204	$9,833,187	$10,560,926	$11,575,975
Expenditure (inc. Debt Service)	$9,755,780	$10,126,953	$10,699,939	$11,478,976
Budget balance	-$376,575	-$293,766	-$139,012	$96,999
Debt to GDP	36.9%	36.6%	35.7%	34.4%

current levels, departmental expenditures will increase at the rate of inflation, at a cost of $166 million. The resulting deficit in 2012–13 is $376.5 million.

The NSAB assumes that provincial source revenue will grow at a rate consistent with nominal GDP growth: real GDP growth plus inflation. Our forecasts of these variables are based on the average estimates of the Canadian banks that have made such forecasts. For 2012, the average forecasts for real GDP growth and inflation are 1.7% and 1.8% respectively for the economy of Nova Scotia. These are in line with the forecasts of the Finance Department in its December update.

For 2013, the average forecasts for real GDP growth and inflation are 2.85% and 2.1% respectively. The NSAB estimate of GDP growth for 2012 is larger than the forecasts of the Finance Department, which apparently does not believe the shipyard project will have a significant impact until the end of the decade. The NSAB agrees with the banks, who predict that by 2013, the shipyard project will increase GDP growth.

The NSAB assumes there will be no growth in federal source revenue. Thus, with inflation, this represents a real decline in federal transfers.

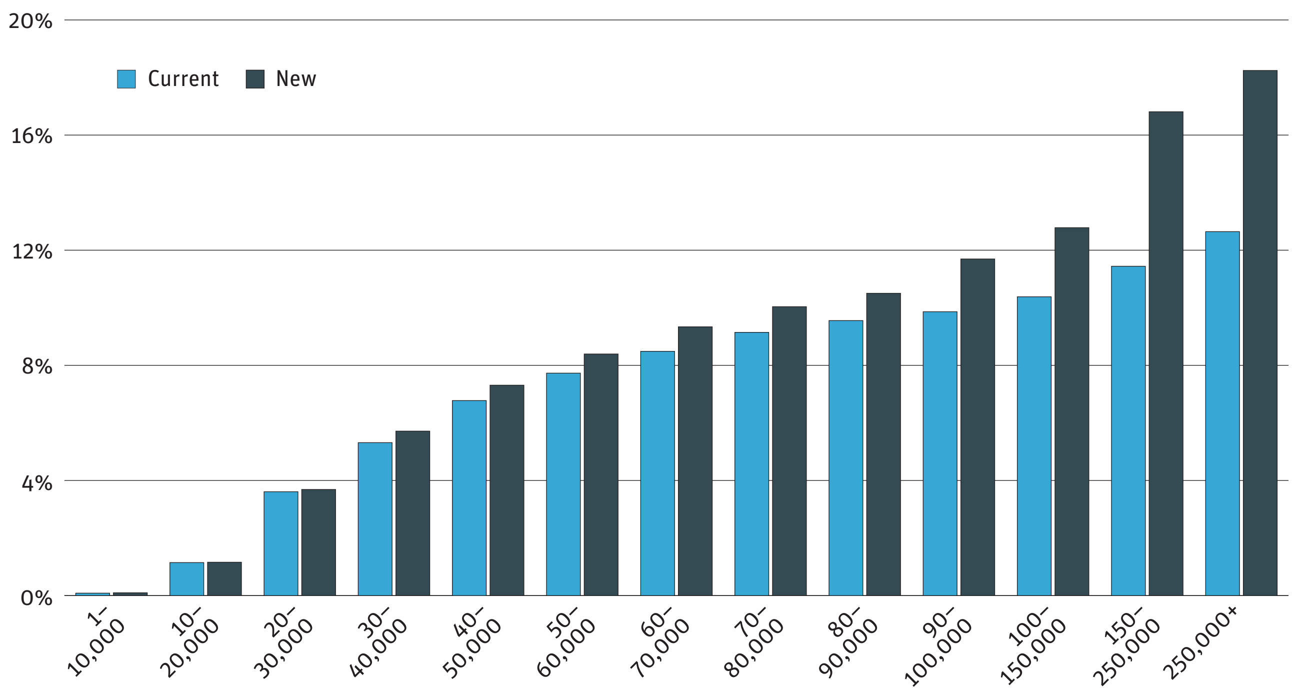
As *Table 3* shows, although the NSAB calls for a continued deficit in 2012–13 and would balance the budget in 2015–16, this has only a nominal impact on the debt-to-GDP ratio. With continued low interest rates, the NSAB is prepared to provide the needed public services to the residents of our province while maintaining our ability to manage the overall debt of the Province. For example, the NSAB has a debt-to-GDP ratio of 36.6% in 2013–14, which is comparable to the 34.9% projections of the provincial government as demonstrated in *Table 2* and *Table 3*. The NSAB would balance the annual budget in 2015–16, with a debt-to-GDP ratio of only 34.4%.

Increasing Fairness and Revenue

THE NSAB HAS proposed a more equitable tax system for more than 10 years. These proposals have been described as "tax the rich and give to the poor". The NSAB has advocated a shift in taxes from low and middle-income Nova Scotians to the upper 45% of income earners, especially to the top 10%. This reflects adherence to the principle of a progressive tax system and a recognition that in recent decades, growth accrued almost entirely to the top 10%. Indeed, most of the income gains have been to the top 1% while their taxes have been falling as a proportion of their incomes!

The NSAB's tax proposals are also designed to increase the government's capacity to finance a broad range of government services, such as health, education, transportation, and social assistance. Those whose taxes increase under Alternative Budget proposals also benefit by our policies to improve and expand government services. On average, a Canadian receives the equivalent of **$17,000** in annual benefit from public services. We depend on these services, including education, health care, child care, public pensions, employment insurance, and family benefits, for our standard of living.[17] Employers benefit from better skilled and flexible employees, and better communications and distribution infrastructures, which widen the markets for the sale of their products.

FIGURE 4 Effective NS Tax Rates by Income Level: Tax as a Percentage of Total Income



The NSAB makes three broad tax changes: (1) increase income tax progressivity; (2) shift federal tax deductions to provincial tax credits; and (3) increase capital gains tax.

Increasing Progressivity

While Nova Scotia has one of the most progressive tax structures in the country — second only to Quebec — it still has room to improve. The NSAB agrees with the 2011 decision of the provincial government to create a fifth top marginal tax rate for personal incomes greater than $150,000. However, the NSAB does not support its 2011 decision to raise the personal exemption rate by an additional $250 (the fourth increase in four years). This decision cost the province $11 million in lost revenue and was the fourth increase in the personal exemption since 2006–07. While this was pitched as a decrease that would benefit lower income Nova Scotians, this is hardly the case. Our relatively progressive marginal tax rates mean that those with higher marginal tax rates benefit more from any tax cut than anybody

There Is No Justification For Tax Cuts to Big Corporations

The Nova Scotia governments have chipped away at the province's Large Corporations Tax on capital of non-financial institutions since 2005. The cut was estimated to cost the government $28 million in the 2008 tax year and $42.8 million in the 2009 tax year.[19] The taxation level further declined in 2010 and 2011, and is to be eliminated on July 1, 2012. The tax reduction from 0.2% to 0.15% was estimated to amount to $9.1 million in lost revenue to the provincial government for the 2010 tax year and $13.3 million in lost revenue to the provincial government in 2011 for a total of *$92.4 million in lost revenue per year*. We have absolutely no guarantee the $92.4 million was used by any of the large corporations to increase employment, purchase more equipment or invest in research and development. It is entirely likely the money stayed in the accounts of the business or was paid by way of "bonuses" to shareholders or executives outside of the province. This would be consistent with the trend across the country that finds businesses sitting on a reserve of capital that dates back to well before the 2008 recession.[20]

else. Those at the lower end of the income spectrum already pay the lowest bracket rate and thus this tax cut would provide them with very little in the way of money in their pockets. Those who benefit the least are those who don't earn enough to pay taxes.

In 2010–11, the provincial government created another tax cut that benefitted the wealthy; A surtax for individuals with taxable income of more than $83,000 was simply implemented by a one sentence announcement in the budget: "it will suspend its high-income surtax until the budget is balanced."[18] In 2010–11, this tax cut resulted in a loss of $27 million in revenue.

The NSAB would have maintained the surtax and the personal exemption rate. This would have provided at least an additional $38 million for the provincial government to provide services, which would benefit all residents of Nova Scotia.

Considering these changes, the NSAB makes the marginal income tax rates more progressive. As can be seen in *Figure 4*, the NSAB increases the rate for those in the $93,000 to $150,000 by one percentage point from 17.5% to 18.5% and the rate for those earning greater than $150,000 by two percentage points from 21% to 23%. This is projected to generate an additional $92.1 million in revenue.

Restore Progressivity Steps: $92.1 Million

Shift Federal Deductions to a Provincial Tax credit

Nova Scotia has its own tax system,[21] with provincially-set tax credits and rates, but it relies on the Federal tax system's determination of taxable income. This automatically accepts more than 20 Federal tax deductions, for instance, for RRSP and other pension contributions. The NSAB has three reasons for objecting to the automatic use of federal deductions to determine the taxable income of a Nova Scotia resident.

First, most Nova Scotians are actually unable to take full advantage of these federal tax deductions because they have lower annual incomes: those with the most discretionary income claim the largest deductions — those with the highest incomes. In 2009, the top 45% of Nova Scotia's tax filers claimed 93% of the Federal deductions.

Second, high income individuals also get the greatest tax advantage from any given level of deduction, because a deduction lowers the amount of income taxed at the highest rate. That is why some deductions, such as the personal exemption or charitable donations, were changed to tax credits where a fixed rate determines the value of these personal expenditures.

Third, income growth over the last twenty years has been concentrated in the top 1%, while tax changes have reduced their total taxes. The NSAB would like to restore some equity to the tax system.

The NSAB proposes that on the *Nova Scotia Tax and Credits* form, *NS428*, the first income entry (line 32) should be the Federal calculation of your **Total Income** (line 150 of the *T1* form), not your Federal **Taxable Income**(line 260 of the *T1*). The difference between these two entries is the Federal deductions. These Federal deductions would be added to Provincial tax credits on page 1 of *NS428,* by adding entries for lines 233 and 257 from the *T1* form.

Simply removing the federal deductions raises the taxable income and taxes of Nova Scotians. This will be offset by including the federal deductions in the first basic tax credit bracket rate of 8.79%. For many Nova Scotians, the switch from tax deductions to tax credits will make little difference in the income tax payable. For example, a family of four with only one income earner with an annual salary of $30,000 will have no change in their total tax payment. Their assessed taxes would go up by the same amount as their tax credits would increase. Some higher income Nova Scotians would no longer benefit from tax deductions, but would obtain the credits.

Taxpayers with incomes beyond the first bracket (generally the 45% of people making $30,000 or more), would have a net increase in taxes. Provincial taxable income would rise by an amount equivalent to the loss of the

Federal deductions for those income earners in the top provincial bracket. They pay a 21% marginal tax rate on this higher amount. They would earn an additional 8.79% in provincial tax credits. The net increase in their provincial taxes would therefore be the amount of the deductions shifted multiplied by 12.2 % (21%–8.79%). Their overall taxes do not increase by 12.2%, only the amount over $150,000, their tax bracket threshold.

For instance, a family of four with one person earning $200,000 and having Federal deductions of $25,000 would pay $3,000 more NS taxes in 2011 based on the NSAB proposal. At $150,000, the increase is $2,200. In other words, it means the people at the top income level in Nova Scotia will pay an extra 1.5% of their incomes in taxes. Taxpayers in the intermediate brackets would have a smaller increase in their taxes, determined by their top marginal rate less 8.79%.

Thus, the tax system becomes more progressive because only the top 45% would experience a net increase in their provincial income taxes. The Province of Nova Scotia would have had increased tax revenues of roughly $174 million in 2009 if it had adopted the NSAB proposal. It would mean approximately an additional $189.4 million for 2012.

The NSAB supports this shift from deductions on the Federal form to tax credits on the provincial form because it increases tax revenues while making the provincial tax system more progressive.

Increased Revenue by Shifting Federal Deductions to a Provincial Tax Credit: $189.4 Million

A Dollar is a Dollar: Capital Gains Taxation

One glaring example of special treatment for the wealthy is the taxation of capital gains, the gain when an asset increases in market value without any input from the owner. About half of us realize capital gains when we sell our homes. When others sell their small businesses such as farms or fishing boats; these are exempt from capital gains because it is assumed they will have to replace them as assets.

The major source of taxable capital gains is speculation — in land, currencies, commodities, and the stock market. While some forms of speculation help smooth prices, speculation often leads to bizarre or harmful price fluctuations, such as the recent electronics, housing, and derivatives "bubbles". Some made huge capital gains from these bubbles; significantly more were devastated when the bubbles burst.

Tax Rebates: Costly and Ineffective

Many tax rebates are provided to taxpayers in Nova Scotia. Most are related to exempting certain items from the provincial tax portion of the Harmonized Sales Tax (HST). They are all problematic because they do not actually respond to need. Rather, tax rebates mean that the more one spends the more tax the government forgives (and the more tax everyone else has to pay, to make up for it). This kind of expenditure — one form of tax expenditures — can be very costly without meeting any public policy objectives to fairly solve a problem, or meet a need. Let's take the energy rebate as an example.

One of the NS NDP's election promises was to institute an energy tax rebate on the provincial portion of the HST (which amounts to a 10% rebate). When the government introduced the 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 and $88 million in 2010–11. The costs will increase as fuel prices go up and NS Power continues to increase its rates. This program will cost at least *$360 million dollars in lost government revenue* over four years. This is definitely not the best use of limited government resources. It sidesteps problems at the root of high electricity costs and some people's inability to pay their bills. An across-the-board energy rebate provides savings to everyone regardless of what they can afford to pay. This program also benefits landlords who may not pass on savings to their tenants. Instead, we need investments in poverty reduction so that low-income people are not forced to choose which of the necessities of life they can afford each month. And, this money could be invested to decrease energy costs overall and to improve Nova Scotia's energy security.

The NSAB does not believe public problems can best be solved by putting a few more dollars in an individual's pocket. Nothing in the rebate required individuals to do anything that would actually introduce better and more efficient energy systems in their homes or for the province in general. Individual tax "savings" are not as effective as an overall strategy — for either energy security or poverty reduction.

Cancel Energy Tax Rebate: $88.7 million

The taxation system for capital gains is unusually generous. The inclusion rate — the proportion of capital gains income that must be declared as "taxable income" — was cut by the federal government in the year 2000 from 75 % to 66 % and then to 50 %. That means if you have capital gains, you only pay tax on half your capital gains, although "taxable income" covers 100 % of most forms of "income" including employment insurance, social assistance, and student scholarships.

Who benefits from this generous treatment of capital gains? McQuaig and Brooks estimate that the top 1% of Canadians saved almost $8 billion in taxes since 2000 when the inclusion rate was lowered to 50%.[22] In Nova Scotia, the top 1% (incomes over $150,000) reported taxable capital gains of $130 million 2009, out of a total of $209 million. The 880 Nova Scotians with incomes over $250,000 reported $101 million in taxable capital gains! Thus, the top 1%'s share of capital gains was 63 times their weight in the population. If their capital gains had been taxed the way most income is, the 1% would have paid an additional $27.6 million in income taxes. The NSAB does not believe the people who benefited from these tax savings used this extra money in ways that would benefit the majority of residents of Nova Scotia. These tax savings could have been used for luxury goods not produced in our province or for travel outside of our province, with little to no benefit for Nova Scotians.

The NSAB would fully tax capital gains, raising an additional $46 million in 2012. This would return the total federal and provincial tax rate on capital gains close to the level before the federal government was so generous to the top income recipients, with very little benefit going to most of us. Primarily the wealthiest Nova Scotians would feel the effects of full inclusion of capital gains. While all levels of tax filers report capital gains income, they represented only 3.7% of all tax filers.

The NSAB would also require executives receiving stock options, sometimes worth millions, to include all of the value of these bonuses as taxable income. Currently, they get the same generous treatment as capital gains and are only taxed on half their value, but without the data source it is not possible to estimate the additional revenues that would be generated.

Additional Revenue Generated by Capital Gains Tax Increase: $46.26 million/year

An Alternative to Property Taxes

Municipalities (villages, towns, and even big cities) across Canada have major financial problems—their tax base is inadequate for their responsibilities or for the needs of their citizens, and is almost entirely dependent on the revenues from property taxes. No one is happy with the property tax. It is expensive to administer and regressive—it puts a heavier burden on people with low incomes than on everyone else. Property tax rates are divisive, varying between classes of property owners—such as residential, commercial, and industrial; and within a class, e.g., single residences, apartments, and condominiums. The property tax cannot reflect user costs because many local expenditures are for shared services, such as public transit, roads, or schools, and the benefits cannot be identified with any particular class or type of property owner. Reliance on property taxes is not inevitable. In Northern Europe, local governments receive less than 11 % of their funds from property taxes; in Sweden, it is only 2.4%. Manitoba shares provincial income (and other) taxes with local governments.

A *Re*funded *M*unicipal *I*ncome *T*ax (REMIT)—a surcharge on your provincial income tax that goes directly to municipalities—would have minimal administrative cost and could dramatically reduce local governments' reliance on property taxes.

How would a REMIT work? The municipal income tax would be part of your income taxes paid to the Canada Revenue Agency (CRA). The CRA would send all of these new revenues directly to the relevant local government, based on the postal codes of the tax filers. These income tax revenues would allow local governments to reduce property taxes. They could also be used to improve services. The local income tax is easy for the taxpayer to calculate, easy for government to administer, and makes the tax system increasingly progressive as more funds are raised this way from people with the most ability to pay.

How significant could a Refunded Municipal Income Tax be? The impact of a REMIT depends on the money raised, relative to property tax revenues—currently about $700 million. Provincial corporate and personal income taxes are roughly $ 400 million and $2 billion, respectively. A 10% REMIT surcharge would generate $240 million—about five times current Provincial grants-in-lieu-of-taxes. Property taxes could be reduced by one third! Economic growth over time would increase the amount raised by the REMIT, further reducing reliance on property taxes. Eventually property taxes could be eliminated and local revenues would be primarily income taxes and user fees. As a surcharge on income taxes, it shifts the tax burden from the regressive income property tax to the income tax, which means about 45% of the population would not be liable for the surcharge.

What's in it for the Province? No level of government wants to take the blame for the taxes of another level; legislating a transfer to local governments is not attractive. However, it could be if the REMIT were used creatively. For instance, the transfer to municipalities could be divided between a postal code basis and the provincial equalization formula, say on an 85/15 percent basis. The equalization part would offset the effects of tax filers who own cottage or other properties outside the area of their primary residence. This would moderate the financial disadvantages faced by poorer, smaller communities.

The province frequently gets demands for more local equalization; the equalization effect of the local income tax could take that pressure off the province. Plus, the province would have the satisfaction of making the tax system more progressive.

Other Proposals for Raising Additional Revenue, Saving Money

1. 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. These measures will encourage decreased fuel consumption and generate funds to support public transportation initiatives and innovations in automotive fuel conservation. The "Gas Guzzler Tax" would increase registration costs for new passenger vehicles at $50 for each additional litre of fuel consumption over the base of 8 litres per 100km, based on Natural Resources Canada, Fuel Consumption Guide. For example, a vehicle that consumes 12 litres per 100 km would pay an additional $200 (4 × $50) per year in registration costs.

2. Environmental Assessment Fees

In an effort to ensure environmental assessments for large development projects are consistent in measuring environmental impact, the NSAB recommends that the Nova Scotia government collect 1% from all development proposals and use the funds to conduct Environmental Assessments.

3. 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. Mineral extraction disrupts human communities and wildlife habitat. The government should do a complete review of the royalty and rental fees, particularly as they relate to our minerals, to ensure that corporations are paying their fair share for the exploitation of our land. The refurbishment of the Donkin Mine for export coal is an example, and presents an opportunity for the government to make sure corporations pay the true costs of resource extraction through provincial royalties.

4. 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. This isn't only costs for the port, but costs associated with infrastructure needed for the ships and their passengers. There are obvious examples of such fees and taxes collected in other jurisdictions: 1) a tax on shore excursions (a $1 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. This would have to be coordinated with PEI and NB; ideally also with Quebec and the state of Maine. The potential income could be $1,000,000 or more per year for Nova Scotia. It depends on what limits are used and whether the cruise ships would avoid the taxes by keeping revenue centres closed until they reach international waters. This might actually benefit local businesses if tourists leave the ship instead of staying on board to spend their money. 3) a financial incentive for using cleaner fuel while in port: since most cruise ships would likely opt to use their cheaper, dirtier fuel, the revenue at $1 per passenger would be $200,000 per year. The cruise industry is a multi-billion dollar industry; the province (the region) deserves its fair share.[23]

Building Fair, Inclusive and Equitable Communities

INHERENT IN NSAB'S approach and vision for Nova Scotia is an understanding that when we help those in need, we make Nova Scotia a better place to live for everyone. As has been so aptly demonstrated by the research of Richard Wilkinson and Kate Pickett in their book *The Spirit Level,*[24] money spent on reducing poverty and inequality is an investment in all of our futures. While it is important to address the symptoms of poverty, priority must be placed on also addressing the root causes of poverty. All Nova Scotians need — and all Nova Scotians benefit from -accessible, affordable housing, early childhood education programs, and public transportation, as well as public education tailored to the diverse needs of our students, as well as life-long learning opportunities. We also need public policy interventions for specific at-risk groups including youth, women, aboriginal people, African Nova Scotians, and people with disabilities. Clearly, the kinds of investments that seek to build fairer, and more inclusive equitable communities, are investments in all our futures. And, they make good economic and fiscal sense, too.

The NSAB moves away from an approach which looks for immediate one time only savings in the budget, to one which takes the long view, particularly at a time when interest rates are at an all time low and the Nova Scotian and Canadian economies are still in recessionary modes, requiring stimulus spending by various levels of government. The recommendations made in this section of the NSAB are critical components of an investment based social policy that will have long run benefits for Nova Scotians — both financially and in terms of quality of life. As the evidence repeatedly shows, investments made now save money in the long run, and have better outcomes than our current short-term spending model.

Preventing Poverty is the Least Expensive Investment

There has been a recent explosion in the literature on the cost of poverty in Canada. From the 2002 National Council of Welfare (NCW) report[25], to the 2009 Senate study on poverty, housing, and homelessness[26], and several provincial and municipal reports on the cost of poverty (British Columbia[27], Calgary[28], Ontario[29], Nova Scotia[30], New Brunswick[31], and PEI[32]), numerous organizations and authors have provided evidence to disprove misconceptions about poverty and social policy.

The federal government's *own* advisory body on issues relating to poverty and social welfare, the NCW has recently released a report[33] that very effectively summarizes the broad literature on the various costs of poverty, the benefits of poverty alleviation and elimination, as well as the specific solutions that will be most effective in both reducing costs and improving outcomes. It highlights a need for a shift in social policy, the need to move from the current short term **spending** model, to a long-term **investment** model for social policy.

Preventing poverty is less expensive than treating the symptoms. The analogy used by the NCW is very apt — they compare short term poverty solutions to taking a half dose of antibiotics. There is temporary relief, but eventually the illness comes back, sometimes worse than it was in the first place.

There is a common misconception that poverty alleviation is expensive, and that money spent on poverty is money taken away from everyone else. Too many people think that eliminating poverty would be a good thing to do, but that it is simply not feasible. It is urgent for the Nova Scotia government to act now to eliminate poverty. Investing in a comprehensive plan to alleviate poverty would **cost half as much** as the current quantifiable costs of poverty.[34]

Using the most recent data (2009), the NSAB estimates that the direct cost of poverty for the Nova Scotia government is just under **600 million dollars** per year — and that these costs account for 6.7% of the 2009/10 NS government budget. When the direct costs to government are added to broad-

TABLE 4 Estimated Economic Costs of Poverty in Nova Scotia, 2009

	Costs to society at large	Costs to government
Health Care Costs		$252 million
Crime Costs	$82.1 million	$17.4 million
Productivity loss	$1.2–$1.6 billion	$167–$228 million
Adjustment for government transfers replaced by market income		$98 million
Totals	$1.27–$1.7 billion	$534–$596 million
Total estimated cost of poverty to Nova Scotia	$1.8–$2.3 billion	

er costs of poverty including the loss of income for those living in poverty, this total cost of poverty — $2.3 billion — is equivalent to 7.5% of Nova Scotia's GDP (gross domestic product or size of its economy).[35] This corresponds to as much as $2,400 per person, per year. This is consistent with the cost of poverty estimates for other Canadian provinces.[36]

Poverty Reduction

The NSAB's "forward to fairness" approach uses the cost of poverty and the estimation that it would cost half as much to invest in drastically reducing and eventually eliminating poverty, as our guide for prioritizing and estimating investments in social infrastructure and programs. The NSAB sets the following priorities, which will each be discussed in a separate section below:

- Strengthen the primary health care system in order to address gaps and to move the system forward to prioritize **primary, community-based health care.**
- A substantial investment in two social determinants of health and illness — **income** by an increase in the expenditures for the Employment Supports and Income Assistance (ESIA) personal allowance and **housing** by investments in new affordable housing and housing supports.
- Investments that take into account that a huge portion of the cost of poverty to the NS government is the lost potential for those who are unemployed or underemployed including:

TABLE 5 2010 Poverty Gaps for Social Assistance Recipients in NS[38]

Recipient	Total 2010 Welfare Income	2010 MBM Thresholds	Poverty Gap	Total Social Assistance Income as % of MBM
Single Employable	$6,637	$16,188	-$9,551	41%
Single Person with a disability	$9,474	$16,334	-$6,860	58%
Lone parent, one child	$15,256	$23,115	-$7,859	66%
Couple with two children	$21,365	$32,371	-$11,006	66%

- housing programs targeted to **women, aboriginal people, youth, people living with disabilities, and,**
- education support **for special needs students, as well as African Nova Scotian and Aboriginal students;**
- to **decrease the claw back** for ESIA recipients who find employment.

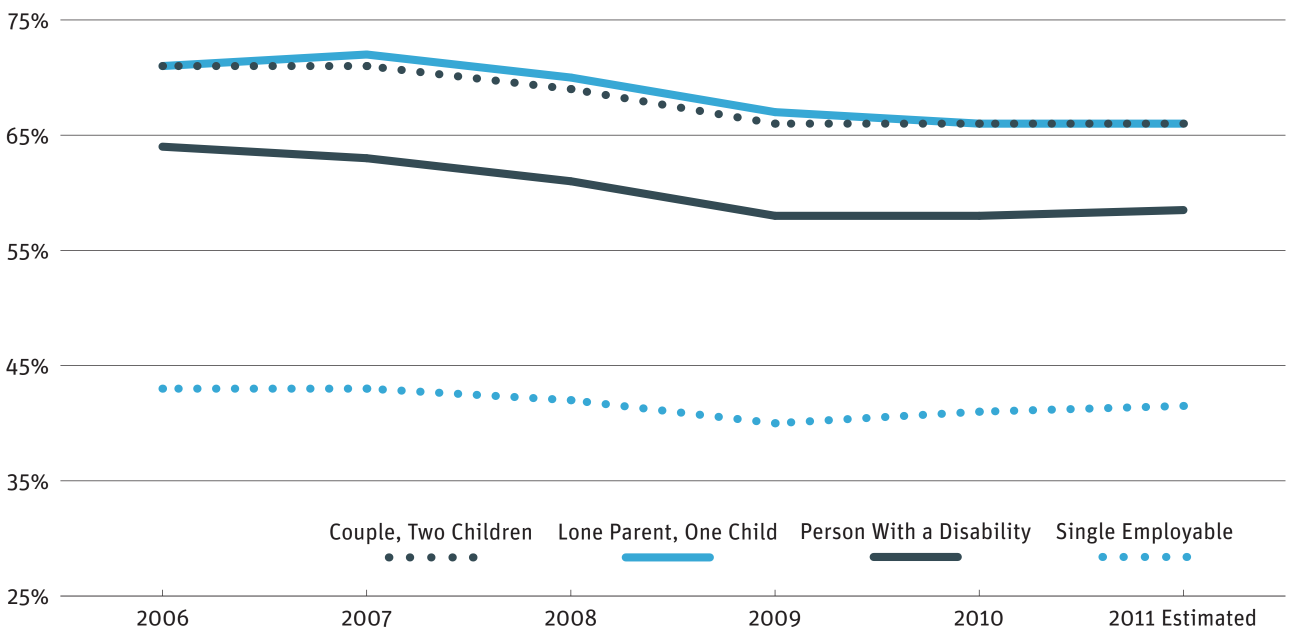
- Investment to establish an **Early Learning and Child Care System**, based on the knowledge of how critical the early years are to breaking the cycle of poverty and how important child care is for women seeking employment.
- **Investment in literacy** programs across the province based on the knowledge that the strongest predictor of involvement in crime is illiteracy.
- A significant decrease in tuition fees for the **Nova Scotia Community College**, which is the most accessible higher education program in the province especially to rural Nova Scotia.

Income Assistance: Addressing the Poverty Gap

Social assistance should be a real safety net that ensures people can sustain themselves in dignity. Individuals and families receiving income assistance should be able to eat healthily, live in adequate housing, clothe themselves, and meet other basic needs such as access to transportation and basic communication tools.

Table 5 shows how much money would be required to increase social assistance incomes to the Market Basket Measure (MBM) threshold[37] for each

FIGURE 5 Adequacy of Social Assistance in Nova Scotia as % of MBM



family type. This gap does not necessarily need to be closed with cash payments to recipients. These needs may be partially addressed through subsidized housing, or further investments in an early learning and childcare system, improving pharmacare, or improved tax credits. This is consistent with the NSAB approach that favours public organization and delivery of programs, which can be monitored and accounted for in order to reach the greatest number of Nova Scotian residents.

Taking into account both the failure to increase social assistance rates significantly and the effects of inflation, welfare incomes have fallen and do not allow people reliant on social assistance to make ends meet. In particular, it has been consistently established that people who rely on social assistance are unable to afford to purchase a minimally nutritious diet.39 Social assistance falls well below low-income measures and leaves all people on assistance in poverty. The National Council on Welfare reports, "welfare incomes remain far below any socially accepted measure of adequacy."40 Even including the effect of the Nova Scotia Affordable Living Tax Credit, and the Poverty Reduction Credit which were implemented in 2011,[41] overall, the adequacy of social assistance incomes fell in the years before the NDP took office in 2009, and stagnated since then (see *Figure 4*). While the NSAB urges a full review of this inadequate system, which continues to stigmatize its recipients, the NSAB recommends a substantial increase in the personal allowance portion of the ESIA to begin to address the poverty gap. **The NSAB provides a 50% increase of total welfare income for each family type, and allocates that increase into the ESIA as personal allowance.** For a lone parent with one child, this would translate to an increase of up to $650/month, to bring them up to the average MBM threshold.

Almost all of this money would be immediately spent in the local economy, resulting in a small stimulus effect, and part would be returned to the public treasury via taxation on goods and services.

The current ESIA claw-back provision unfairly penalizes recipients when they try to gain paid work experience and 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 determine a household's eligibility for 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. 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 the first $150/month plus 30% of their earnings. This is unfair and a significant barrier to recipients wanting to move into the labour market, especially women who tend to do more part-time work then than men.[42] A more reasonable earnings exemption of 50% would help workers to remain in or re-enter the work force. It can bridge a gap to a better job and lower the barriers as the recipient tries to ease into the workforce.

NSAB Actions

The NSAB invests to decrease the poverty gap and further assist those who find employment while on Employment Supports and Income Assistance (ESIA), as follows:

- **Increase of total welfare income for each family type by 50% and allocate that increase into the ESIA as personal allowance,** and allow all **post-secondary education students** who qualify based on need to access social assistance:[43] an approximate cost of **$120 million.**[44]

- **Increase the earnings exemption (for most recipients[45]) from $150 to $200/month, and lower the claw back to 50%** (from 70%) of earnings: an approximate cost of: **$19 million.**[46]
- Average earnings over a longer period when calculating earnings exemption levels, to take into account short-term temporary work. For example, it makes sense to **average earnings over the year,** rather than month to month for ESIA recipients who cannot sustain permanent long-term employment (for example, persons with health or disability issues).

Total new spending on income assistance: $139 million

Housing and Homelessness

It is difficult to provide an accurate picture of housing and homelessness in Nova Scotia. What we do know is that too many people in Nova Scotia, thousands too many, are living either on the street or in inadequate, overcrowded housing requiring significant repairs.[47] Too many people live in substandard housing where the roof leaks, the windows are broken, there are infestations of bugs and rodents — the list goes on. In addition, the rising cost of housing (as well as other essential goods) is causing many more people to be at risk of homelessness. Individuals and families who have to spend a disproportionate amount of their income on rent often face food insecurity and possible malnutrition.

A Housing First Approach

We all need housing that it is adequate and affordable. A lack of adequate, affordable housing can aggravate other problems associated with low income. When we look at where and how the combination of federal/provincial housing funds is spent, we see that they are earmarked for seniors' housing, as well as renovations and retrofits. While the provision of safe and secure housing for seniors and persons with disabilities is a positive move and requires further investment, it is important to recognize that little to no funds are being spent to build affordable housing for individuals and families. Only 41 new homes were added for them across the province since 2009.[48] Meanwhile, there are thousands on waiting lists.

Canada's housing system is deficient in that it favours home ownership and discriminates against low-income households stuck in the low end of the rental sector.[49] This situation is mirrored in Nova Scotia. Several forces affect housing affordability; 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.[50] We need a **provincial housing strategy** with clear targets and timelines for affordable and appropriate housing in rural and urban parts of the province. We need an adequate system of supports for households that do not have and never will have a place in the housing market.

Affordable housing in the form of good quality, permanent homes in accessible neighbourhoods (with public transit, schools and other amenities) must be the priority. However, continued interim funding to shelters and second-stage housing is inadequate. The NDP government increased funding by $500,000 to Transition Houses and Women's Centres in 2010–11, but more needs to be done. The Department of Community Services currently provides 70–75% core funding, including salaries, to transition houses in Nova Scotia. DCS also provides a percentage of core-funding for second stage housing units operated by transition houses but no core funding is provided to the largest provider of second stage housing in NS, Alice Housing.[51] **Core funding should be provided 100% by the provincial government to all shelters and transition houses and to Alice Housing.** The NSAB provides an investment that will bring the funding level closer to this target, with an initial investment of $2.4 million.

Current Issues and Needs

Any housing and supports must recognize that "women's homelessness and housing needs are related to their disproportional experience of poverty, systemic discrimination, inequality based on gender or other factors, and violence against women".[52] Any programs and policies in this area must prioritize those who are most at risk of homelessness including women leaving abusive relationships, single mothers, Aboriginal women, immigrant and refugee women, women with disabilities, racialized women and senior women. Women's issues need to be taken into account and women need to be centrally involved in developing a comprehensive housing strategy.[53]

In addition to women, families, youth and aboriginal people have been identified as groups needing targeted interventions because they represent a fast-growing portion of the homeless population or/and are found in greater numbers than their share of the population. All of these groups need early interventions to prevent further homelessness and additional funding to providing shelter and supports for those who are currently homeless. Organizations working with homeless youth in Halifax continue to report more young people on the streets seeking shelter and supports. For instance, youth between the ages of 16 and 24 years accounted for almost 40% of all stays last year at the Out of the Cold Shelter, a community-based, volunteer-led Halifax winter shelter.[54] Another shelter, specifically opened for youth in Yarmouth last year, has shown that there is a need for this service. It has also demonstrated that this kind of service is cost-effective in diverting youth from using hospital emergency rooms or involvement in crime to survive.[55] However, the provincial government just announced that it will no longer provide any funding to this shelter. This indicates both the problem of youth homelessness and the gaps that exist in the publicly-funded services (another one is the ability to accommodate couples who want to stay together).[56] The NSAB applauds the government's latest initiative to fund ten youth outreach workers, but much more needs to be done to create the conditions for youth to be safely housed and truly 'at home' and to ensure they can access the services that they need to support them.[57]

We also know that there is inadequate housing available for Aboriginal people living off reserves. Tawaak Housing has a waiting list of 150–200 people.[58] The consultations undertaken by Community Action on Homelessness also underline the following: "Race, ethnicity, culture and experience have profound effects on how individuals perceive and react to the world around them. The Aboriginal community in HRM needs more culturally appropriate supports and services."[59]

Recommendations and Investments

The NSAB recognizes that the complexity of housing issues and the importance of housing require a full-fledged Minister who speaks for the housing sector as a whole and takes a leadership role. Without the establishment of a separate department (or crown corporation or agency) responsible to a Minister, this sector will continue to suffer from a lack of collaboration and co-ordination between the three levels of government. A ministerial assistant responsible for cooperative housing and other housing programs is not sufficient.

The NSAB also endorses recommendations made by the Affordable Housing Association of Nova Scotia (AHANS), which calls for the establishment of a housing secretariat to: “monitor housing need and supply; monitor the existing stock and report regularly on its condition; report to the Minister of Housing, both to advocate for the sector and advise the Minister annually on the priority of housing needs and supply.”[60] The NSAB also underlines the importance of ongoing collaboration and consultation with those who have been dealing with these issues to ensure that the most effective decisions are made.

The NSAB echoes AHANS conclusion that “without a profound change, the many parts of our housing ‘system’ will continue to work at cross-purposes.”[61] The change required is not only at the provincial level. Indeed, **Canada is distinguished as the only major country in the industrialized world without a national housing strategy.** Canada currently has one of the smallest social housing sectors among industrialized countries. The federal government therefore has a very important role to play as well.

Much of the new funding recommended in the NSAB is an investment in our social infrastructure whether for repair or to build new housing stock. This will contribute to economic growth. Modelled after the Newfoundland and Labrador Housing program,[62] **steps should be taken to ensure that apprentices in carpentry, plumbing and electrical are incorporated into this work as possible.**

New affordable housing must be given priority, but the NSAB would also provide 100% of **core funding to all shelters including transition houses, and to Alice Housing. A study should also be done to determine the need for shelter expansion, both of existing shelters and in areas where there are currently no services.**

NSAB Actions

- Establish a separate Housing Department that includes a housing secretariat, which answers to a full-fledged Minister (include shifting housing staff and funding from the Department of Community Services). The Department would be responsible for province-wide consultations to develop a provincial housing strategy with clearly established targets and timelines for affordable and appropriate housing in all parts of the province. **Estimated Cost for Department of Housing: $12 million**
- Increase the amount of provincial funding earmarked to build affordable housing units by allocating $200 million over three years,

beginning with $60 million this year. **Investment in Affordable Housing: $60 million.**

- Continue to finance the pilot project initiated in 2011–12, which placed seven Housing Support Worker positions in HRM, to assist vulnerable individuals and families to find and maintain safe housing and expand the program to rural Nova Scotia: **Housing Support Worker Funding: $700,000.**
- **Increase funding to social housing and supports: $2.4 million;** funding to meet the specific needs of women at risk as well as targeted supports to other at-risk groups including youth, families and Aboriginal, as well as people with disabilities as follows:
    - Increase annual operating grants and per diem rates to eventually cover 100% of core costs sufficient to shelter/house the homeless and provide essential services and housing supports;
    - Ensure that shelters and second stage and supportive housing initiatives are financially supported to carry out essential capital works, major repairs and renovations including becoming more energy efficient;
- Increase funding to other existing housing programs to be allotted among the various programs including Home Ownership and Repair, Public Housing Subsidies and the Rent Supplement program: **$5 million.**
- Continue to pressure the federal government to establish and fund **a pan-Canadian housing strategy** and to prioritize immediate and substantial investment **to address the housing crisis for First Nations communities** on and off reserve across this country.

Total new spending on homelessness, housing and housing supports: $80.1 million

Public Health Care is Sustainable

If you listen to the news you might believe spending on public health care is out of control. This is misinformation and misleading. Public health care spending has been stable at between 5–8% of GDP since Medicare was created in the 1960s[63]. It makes sense to increase our public spending on health and wellness as our society's gross domestic product expands.

Yet, as government spending as a whole has been reduced over the last thirty years as a result of tax cuts to corporations and the wealthiest Canadians, the percentage of money spent on health care appears takes up a larger piece of the smaller pie. **Consider:** Since 2006, the federal government has given out more than $220 billion in tax cuts to the rich and powerful,[64] while planning to cut $21 billion from public health care from 2017–24.

Real Focus Should Be On Health Not Budgets

When it comes to health care, the focus is on money rather than what do we need our health care system to look like. Discussions on funding should be based on the real needs of people. What we know is the cost of prescription drugs is rising dramatically, we have wait lists for access to long-term care, we have a patchwork mental health care system that allows people to fall through the cracks, and women in rural areas still don't have access to a broad range of health care options. We should find solutions to the problems impacting people's health, not simply debate budgets.

Politicians need to make public health care a priority by investing in the services people need. The NSAB starts prioritizing this sector by providing adequate flexible funding **($40 million)** for existing Community Health Centres (CHC), and to establish 10 new Community Health Centres. This funding is to be provided as a global budget to support communities to be healthy. Accountability for this funding should be directly to the Department of Health and Wellness and based on community plans developed by the CHC's governance boards in consultation with the community.

To support the networking, and sharing of best practices, the NSAB will also provide **$500,000** in core funding to the Federation of Nova Scotia Community Health Centres. It is important to note that CHCs are quite distinct from the newly designated Collaborative Emergency Centres. CHCs differ in their goals and in the way that they operate vis-a-vis community-based governance boards.[65]

Strengthening primary health care will also require investments in a broader spectrum of providers including more nurse practitioners and midwives. The NSAB will hire 10 additional nurse practitioners in acute and long-term care, and provide funding for 12 midwives to be located in areas of the province that are without services: **$2.6 million**.

The North End Community Health Centre: A Model for Primary Health Care

One of the best examples of a Community Health Centre is the North End Community Health Centre on Gottingen Street in Halifax. The Centre has been a staple of the North End for decades. It is managed by a volunteer board, and offers a range of health services that includes primary health care services, but also addresses the social determinants of health. Studied both nationally and internationally, it is undoubtedly a model to follow in our province embodying key principles for improved health outcomes for marginalized populations. In 2010/11, the NECHC began offering health care culturally-tailored for a group of 86 refugees. Its Mobile Outreach Street Health (MOSH) program brings health care to the homeless in shelters or on the streets. Its innovative community garden program, Hope Blooms, inspires youth from the community with its hands-on entrepreneurial approach that includes a scholarship fund recognizing the need to help break the cycle of poverty.[66] It embodies the principle of providing primary health care as close to home as possible by pushing the boundaries of what is home, what makes a place feel like home or, in the case of MOSH, recognizing that not everyone has a home. While replicating the North End Community Health Centre around the province would be impossible, the province should ensure communities have the resources they need to start creating their own local versions of Community Health Centres.

The NSAB will make two other critical investments: oral health and pharmacare.

The NSAB will fund a new Chief Dental Officer position **($300,000)** for the province. In addition, it will expand the Children's Oral Health Program to include 65,000 more children by raising the age limit for eligibility from 10 to 16 **($3 million)**.

The province currently runs five pharmacare plans: Drug Assistance for Cancer Patients, Department of Community Services Pharmacare Benefits, Diabetes Assistance Program, Family Pharmacare Program, and Seniors' Pharmacare Program (one plan through the Department of Health and Wellness and one plan through the Department of Community Services). This results in duplication and increased administration costs, as well as differing criteria and eligibility rules. Merging the five plans would simplify the process and result in small cost-savings. Creating a unified pharmacare plan would also lay the groundwork for a cost-shared pharmacare program with the federal government, which should figure into the negotiation of a new Health Accord.

Federal Threats To Access

At the federal level, public health care is under attack. The Harper Conservatives have decided to cut $21 billion from public health care from 2017–24 as part of the 2014 Health Accord.[67] Ontario's Finance Minister said, "(The cuts) represent a significant move away from the health care table by the federal government."

Smaller provinces like Nova Scotia, and the Atlantic region, stand to lose the most. By 2024, Nova Scotia will receive $157 million a year less in federal transfers.[68]

When Medicare was established in the 1960s, federal funding provided nearly 50% of the cost of public health care. Today in Nova Scotia, federal funding only covers 20.1% of the costs.[69] By 2024, if the Harper Conservatives plan goes through, federal funding will drop to just over 18%.[70] As was noted by the Parliamentary Budget Officer, Kevin Page, the provinces will be forced to spend more and more of their budget in public health care unless the federal government steps back up to the plate[71]. The federal government will effectively balance its budget on the backs of the provinces and families.

The provincial governments need to stand up to the federal government and push back against the cuts to public health care. The province of Nova Scotia should consider launching a public campaign, similar to *Ships Start Here*, to garner public support and pressure the federal government for a better deal.

NSAB Actions

- Invest in sustaining **current community health centres and establishing 10 new community health centres** determined by a population-based funding formula: **$40 million**
- Fund the **Federation of Community Health Centres of Nova Scotia: $500,000**
- Fund new provincial **Oral Health Officer: $300,000**
- **Expand the Children's Oral Health Program: $3 million**
- **Merge all Pharmacare plans:** Cost-Neutral and likely cost-saving
- **Fund 10 additional Nurse Practitioners and 12 midwives: $2.6 million**

- **Public Awareness Campaign: $500,000.**

Total new spending on public health care: $46.9 million

Early Learning and Child Care

According to the 2011 Early Childhood Education Index, only three provinces in Canada received a passing grade. We aren't one of them. Nova Scotia received a grade of 5 out of 15. The index, (developed by the late Dr. Fraser Mustard), examines factors including governance, funding, quality, accountability and access to child-care for 2 to 5 year-olds in each province.

There is a child care crisis in this province. Like much of the country, Nova Scotia relies on a market-based approach to child care. As the Child Care Advocacy Association of Canada (CCAAC) shows, the result is "triple market failure." The patchwork system results in:

1. High fees for parents;
2. Low wages for the primarily female child care workforce and;
3. Unmet parental demand.[72]

Building a system of early learning and child care (ELCC) is simply smart public policy. It is a vital social policy that fosters equality and inclusion for women, children with special needs, newcomers, and rural communities. Investing in women and young children is an equalizer and the OECD has been critical of jurisdictions where ELCC "measures are not work or gender-friendly".[73] ELCC can foster anti-racism and respect for diversity, settlement and social cohesion, and economic integration.[74] ELCC options are especially important in rural areas, where the rate of use is higher than in urban areas.[75] [76]

A system of early learning and childcare is astute economic policy, as numerous studies demonstrate the economic benefits of public investment in ELCC. ELCC is an excellent strategy for economic stimulus. Research overwhelmingly shows that it creates jobs, increases GDP, increases tax revenue, and addresses population decline.[77] A 2011 report by Robert Fairholm, confirms that expansion in the early learning and care sector provides more short-term economic stimulus than other major sectors of the economy. The GDP multiplier (the increase in GDP generated from a dollar increase in output in the early learning and care sector) is $2.23. This is larger than other sectors, including 67% higher than construction and 112% higher than manufacturing. Furthermore, the employment multiplier (the number of jobs created per million dollars of initial increase in expenditure), is 46.8 jobs per million dollars.[78] In Manitoba the economic returns were even higher in rural communities, affirming the essential role that child care can play in regional development.[79]

Overall, ELCC advances multiple policy priorities and goals: "preparing our future workforce, supporting parents to work or upgrade their skills and strengthening democratic communities".[80] It is well worth the investment.

Spending

By international standards, the minimum target for expenditure on ELCC should be 1% of GDP.[81, 82] Canada and Nova Scotia are far off the mark. Canada currently spends about 0.34% of GDP on the early years.[83] Nova Scotia spends only slightly more, about 0.37%,[84] and it is important to note that any incremental increases in child care funding in the province have been from federal funding. There have been no significant increases from the province itself. Given Nova Scotia's GDP of about $36B, 1% would mean $360M.

But financial investment is not enough if it is squandered in the current market-based system. Public funding is currently provided primarily in individualized forms like tax breaks, parent cheques or fee subsidies based on family eligibility instead of as part of a seamless system. Contrary to some claims, this approach has not created more choice. In fact, a "cross-country series of focus groups indicated that when it comes to child care, parents get what they can, rather than what they want".[85]

A previous government allowed public funding to be given to for-profit providers to access public funding, for the first time. This had an obvious effect — most of the new growth in child care spaces has been in the for-profit sector. It is troubling that half of Nova Scotia's child care spaces—49.5% in 2008—are now for-profit. Between 2006 and 2008, there were 834 new spaces in the commercial sector, while the non-profit sector actually lost 56 spaces. The risk of sacrificing quality child care to profit-making ventures is too high. The good news is that Community Services Minister Denise Peterson-Rafuse recently expressed openness to ending public funding to for-profit child care providers. This would certainly be a step in the right direction and the NSAB would follow the evidence and phase out this problematic practice.

The ending of public funding for for-profit operators would actually mean a "saving" for government expenditure. Those for-profit operators would have to increase fees or decrease wages or decrease their profit rates to make up for this loss of government funding. It cannot happen immediately without negative consequence for parents or early learning educators. Accordingly, this recommendation must be part of a transition plan to build a non-profit system of early learning and child care in Nova Scotia.

Triple Market Failure: Fees, Wages, Spaces

Fees: From High Parent Costs to Affordability

International research tells us that parents should not cover more than 20% of the costs of ELCC services, which means that 80% of costs should be publicly funded. Parent fees in Canada and Nova Scotia do not come close to meeting this target. And things are getting worse. The average cost of child care in Canada has grown by 4.3%.[86] The average fee in Nova Scotia is $24/day.[87]

Wages: From an Underpaid Child Care Workforce to Fair Wages

Despite the level of formal education, the female-dominated child care workforce is one of the most under-paid sectors in the country, and Early Childhood Educators (ECEs) in Nova Scotia earn only 42% of the national average.[88] In comparison with other provinces, ECE salaries in Nova Scotia, as a percentage of teachers', are the second lowest in the country at 45%.[89] In 2009, the average wage of an ECE in Nova Scotia was $22, 000 for a full-time worker with limited benefits.

Training and retention are also major issues in the child care sector. If Nova Scotia were to follow other provinces in expanding universal pre-primary learning and care, we would not have enough licensed and trained early childhood educators to provide services to the approximately 8,500 four year olds in Nova Scotia.

Spaces: From Acute Child Care Shortage to Universal Access

Only 31% of children ages 0–6 have access to regulated child care or kindergarten in the province, compared to 58% in Quebec and 50% in PEI.[90] 25% of children are in unregulated care.[91] Therefore, Nova Scotia's children are denied equal learning opportunities and their parents struggle to balance work and family responsibilities. This is especially a challenge for the 70 per cent of women who work outside the home[92] and for rural communities where childcare shortages are even more severe.

Principles for Building a System

The only way to address this triple market failure (high fees, low wages, unmet demand) is to build a system of Early Learning and Child Care. This requires a planned approach, with a coherent strategy, developed in close consultation with the community. There is an abundance of existing, comprehensive, community-driven ELCC action plans to draw from,[93] that lay out fundamental system principles including:

- public, adequate, and stable funding
- a legislated right to universal access for all children to early learning and care
- affordable, accessible, comprehensive services that integrate learning and care
- Advancing equity and inclusion for all and meeting the diverse needs of children, and parents who are in the paid labour force, studying and/or participating in community life.
- high quality services provided by well-trained and compensated staff
- play-based programs inclusive of children with different developmental needs
- non-profit administration
- accountable, democratic, community governance (planning, design, delivery, evaluation)
- Self-governance and self-determination for Aboriginal communities.

An ELCC system cannot exist without public leadership. Governments have the power and resources to initiate and sustain the ministry coordination, collaboration and participation necessary for an effective ELCC system.[94] Participatory infrastructure must be created for parents, child care workers, and community advocates to be involved in the ongoing governance of ELCC. We can learn from models in other jurisdictions, where elected boards allow communities to be actively involved in decision-making or we could use a model based on bodies such as the Regional Development Authorities or Community Health Centres.

NSAB Actions

- **Provide funding to begin the phase-in of an ELCC plan: $45 million for 2012–13.**
- **Under a planned investment approach, incremental increases are to follow in subsequent years as the ELCC Action Plan is implemented in stages.** NSAB recognizes that some of the subsequent investments will be offset by a planned transition to end existing public subsidies to for-profit operators and re-investing these resources in the developing system.
- The NSAB also recognizes that there is an urgent need for dedicated **federal funding** for early learning and childcare to assist the province to implement this plan.
- The NSAB also realizes that public investments must be spent **wisely** to ensure that they advance the principles outlined above. The NSAB commits to using a tool such as the Child Care System Implementation Model, will assist in this process.[95]

Total new spending in early learning and child care: $45 million

A Primary to 12 Education System That Works for Students

There is a misleading debate in Nova Scotia about the effects of declining enrolment on the school system. The conclusion is that given declining enrolments, the system is over-funded. This argument assumes that enrolment changes occur uniformly across the province. Many of our rural communities are struggling as people go to Halifax looking for employment. For those families who stay in their communities, threats to local schools can be a critical blow and the last straw in a decision to relocate to an urban centre. In rural and urban communities alike, neighbourhood schools act as important community spaces. The NSAB supports neighbourhood schools as a way to expand and improve public services and promote social inclusion.

Determining the appropriate funding for the public education system requires a complex analysis that recognizes what the current system is funded to do. The current system relies on smaller classes, more interactive lessons, and more resources than education systems have in the past. 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, nor does it reflect the demographic situation of the Province overall. Moreover, in 2009/10, before the cuts from the last two budgets, Nova Scotia's expenditure per student ranked second lowest among the ten provinces.[99] However, the NSAB does not believe a simple calculation of money spent per student is the best way to determine public education funding.

One indication of the inadequacy of public funding is that 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 or download the cost onto individual families to buy paper and tissues, we have a major problem. **The NSAB provides an immediate cash injection of $300 per teaching classroom for basic supplies, the use of which will be determined by the teacher**. The teacher would be required to provide receipts to be reimbursed by the local school.

The current strategy of across the board cuts does not recognizes these complexities, nor does it provide a plan for how our education system could better respond to student needs and keep local schools open. For example, in regions with declining enrolments, could school boards partner with Libraries Nova Scotia to create public library access for the community? Could community schools also be seen as locations for new community health centres or other public services like early learning and child care? Answering these questions and thinking how to improve our education system requires planning and a strategic approach to collaborate across government departments.

In addition, the need to address the inclusion of African Canadian[100] 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 insignificant resources. **The Nova Scotia Alternative Budget invests $6 million in programs to strive for a more equal education system that recognizes the impact of racism, colonialism, and poverty in racialized communities in the classroom.**

There is also a growing demand on public school budgets for the delivery of services to children with special needs in the province. The proportion of children with disabilities in Nova Scotia is rising. According to statistics compiled by Child Care Canada, the rate of children under the age of 15 with disabilities in 2001 for NS was 3.8%; in 2006 this rose to 4.5%[101]. As people living with disabilities account for almost half of all ESIA recipients, it is clear that more work must be done to protect the disadvantaged from falling through the cracks.

One solution to this problem would be for the Department of Education to set up a program which is responsible for the delivery of Special Needs Services across the province. Much like the "Acadian and French Language Services" is administered through the province to assist the educational achievement of Nova Scotia's Acadian and Francophone community; a new Special Needs Services program could coordinate the development, implementation, and evaluation of special needs programs and services in the provincial education system.

For the initial creation of this system, the Department of Education could work with school boards to calculate the percentage of their budgets which are spent on special needs students, and re-direct that money into Special Needs Services. **The NSAB invests $2.5 million in the creation of a province-wide Special Needs Lending and Resource Library that purchases special needs equipment, technology and tools for use in classrooms across the province. The NSAB also increases the Special Needs budget by approximately 10% ($12 million), a portion of which should be used to support education assistants.**

NSAB Actions

- **$300 to every classroom for school supplies: $1.5 million**
- **10% increase in budget for students with Special Needs ($12 million)** and an additional **$2.5 million to establish a provincially administered Special Needs Services program: $14.5 million**
- **Additional funding targeted towards African Nova Scotian, Aboriginal, and ESL learners: $6 million**

Total new spending on Primary to 12 Education: $22 million

Funding and Fairness for Post-Secondary Education

Nova Scotia universities and the Nova Scotia Community College (NSCC) have a significant impact on the economy in the province. There are 11 universities and 13 NSCC campuses across the province. In 2010–11, there were close to 43,000 full- and part-time students enrolled at universities in the province[102] and over 10,000 full-time and 14,000 part-time students at the NSCC.[103] Universities and colleges generate substantial returns on investments of public dollars, especially in rural communities. A recent report on the economic impact of universities in Atlantic Canada found that universities in Nova Scotia contribute $1.18 billion to the Nova Scotia economy. Universities account for 18,518 jobs, which includes people directly employed by the university and indirect jobs. The provincial and federal governments collect $220 million of income tax revenue from those employed by universities.[104] In 2004, over 6,700 jobs totaling over $202 million in wages and salaries were directly attributable to the NSCC.[105] Graduates from the NSCC are also very likely to stay in the county of their campus following their diploma program.

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 could seriously threaten the long-term economic and social health of the province.

Nova Scotia Community College

For many, attending the Nova Scotia Community College (NSCC) is the most accessible avenue for post-secondary education and skills training. Last year, the provincial government froze funding for the NSCC. Without an inflationary funding increase, the NSCC faced its first tuition fee increase in three years, cut two programs at its Yarmouth campus, reduced entry to a program in Cape Breton, and cut 35 staff positions.[106]

In January 2012, the unemployment rate in Nova Scotia was 8.4%; however, this rate is deceptive. Based on the economic data used to calculate Employment Insurance claims, the unemployment rate for the region including Cape Breton, Guysborough, and Antigonish, was 16%, and the rate for the Valley, South and Western Shores was 9.5%. In many communities in these regions, the NSCC is the only re-training option available.[107]

The government should focus on increasing participation and capacity at the community college, and reduce tuition fees in order to encourage re-training. The NSAB will aim to offer college education at the lowest possible cost to students. This policy would create a steady flow of educated workers who are not battling large student debts and improve access to university, especially for rural students, as many community college programs are connected to university programs and allow students to take the first two years of their degree in their community.

The NSAB reduces tuition fees for NSCC students by 50% at an annual cost of $16 million.

In December, 2011, the Minister of Labor and Advanced Education Marilyn More suggested that apprentice training in the province may need to be contracted out to private entities to alleviate pressure on the NSCC and meet demands for the recent ship building contract. Currently, the NSCC provides 90% of apprenticeship training in the province.[108] The NSAB would provide the necessary support to the community colleges to hire the instructors. The NSAB would support the existing public system of education rather than have public dollars go to for profit private operators. Private educational programs across the country have presented a number of challenges for students. These programs are not subjected to fee regulations, meaning that private tuition fees are often much higher than in public programs. Because of inadequate regulation, private programs may also fold, leaving students with an incomplete education out after spending a significant amount of money.[109]

In addition to an inflationary increase in funding to the NSCC, **the NSAB invests an additional $2.5 million, doubling what the government is investing in the Apprenticeship System Strategic Plan**, to increase spaces in apprenticeship programs and other priority areas by hiring additional instructors and support staff.

Assistance to Universities

For the 2011–12 budget year, the provincial government ended the four year tuition fee freeze, cut funding to universities by 4% and allowed universities to increase tuition fees by up to 3%. The government reaffirmed the 3% tuition fee hike in the 2012–15 Memorandum of Understanding (MOU) with the universities, and in addition removed limits on fees for international students and students studying law, medicine and dentistry. There is also the potential for unlimited increases in the differential fees for out-of-province

If NSCAD Were a Papermill

In September 2011, the provincial government appointed Howard Windsor, a former Deputy Minister, to review NSCAD's finances and make recommendations regarding the institution's future. While the university system as a whole has been underfunded for decades, NSCAD has suffered additional problems as a result of a funding formula that has never fully recognized the true cost of providing a studio based Fine Arts education. To make matters worse, these long term, systemic problems have been exacerbated by disastrous decisions taken by a former administration, and authorized by a previous Board of Governors. They agreed to construct a new campus, while failing to secure the funding required to actually pay for it. The combined costs of paying for the operating costs of a second campus, while servicing the large debt accruing from its construction, have resulted in substantial ongoing annual operating deficits which — in the absence of government intervention — are only likely to increase.

While universities receive a significant amount of public funding, there are no formalized structures to hold them accountable to the government or the public. This can lead to those in charge making decisions that are not in the best interest of the general public, students, staff and faculty.

The NSAB recommends that the government review each university's legislation and involve stakeholders to develop Boards of Governors' membership criteria that prioritize public accountability, and student, staff, and faculty involvement.

The Windsor Report was released on December 13, 2011. Its eight recommendations were adopted by NSCAD and the Provincial Government. The recommendations open the way to the possibility of program closures at NSCAD, and urges the exploration of "collaborative arrangements" with other institutions — arrangements that sound remarkably like a recipe for merger. It also states that NSCAD's survival plan cannot rely on more provincial funding. This reflects the province's approach of largely treating NSCAD like a university gone astray rather than recognizing the systemic problems that contributed to NSCAD's current financial situation. The NSAB instead affirms that NSCAD is more than a university — it is a world-renowned cultural institution that is a cornerstone of Nova Scotia's arts and culture sector.

Also in December 2011, the province committed $50 million in order to keep paper mill Bowater Mersey open. This included a $23.75 million land purchase. The bailout was delivered after it came to light that the mill's parent company had shelled out major management bonuses and after workers had taken significant concessions. This approach is somehow seen as acceptable for private for profit industry, but the government has been unwilling to take the same measures to secure the future of this important cultural institution.

In the most recent Memorandum of Understanding between the government and university presidents, the government committed $25 million to a "University Excellence and Innovation program…to support universities in their efforts to remove costs and maintain quality within the university system." The main goal of this fund is to encourage cost cutting at institutions in place of increasing funding post-secondary education.

The NSAB recommends this "innovation fund" money be used to pay NSCAD's outstanding debt related to the construction of the Port Campus.

students. The government also announced that it would again cut funding to universities, this time by 3%, even though per-student funding remains below 1990 levels.[110] Once again, students are being asked to pay more for less.

Cuts to public funding for universities shift the burden of paying for education away from governments and onto individual students and their families through a flat tax: tuition fees. Over the past 20 years, tuition fee increases have rapidly outpaced inflation. Between 1991 and 2009, tuition fees in Nova Scotia almost tripled. Tuition fee increases have been even more significant for international students and students in professional programmes such as law, medicine and dentistry. Currently, average undergraduate tuition fees in Nova Scotia are $5,731, and average graduate tuition fees are $7, 350.[111] The 2011 recent decision of government to allow tuition fees to increase continues a legacy of high tuition fees in Nova Scotia.

In 2011–12, Nova Scotia was the only province cutting funding to post-secondary education. The government should strive to continue to undo the damage done by consistent underfunding throughout the 1990s and early 2000s. To do so, the government would need to increase funding by $30 million, with subsequent increases being aligned with cost increases in the system.

The NSAB reverses the funding cuts to universities and restores per-student funding to 1990 levels, adding $30 million to university funding.

The NSAB also eliminates the differential fee for out-of-province students and calls for developing a framework for reducing tuition fees for domestic, out-of-province, and international students.

The NSAB establishes standard financial reporting procedures for universities, and recommends financial documents be released to the public as with other public expenditures.

The NSAB also recommends that the government, in consultation with universities, and unions representing students, staff, and faculty, develop regulations on the use of public funds and user fees collected by the university.

Addressing Student Debt

Tuition fee increases have had a significant impact on student debt in Nova Scotia, with students in the province graduating with unprecedented debt loads. Average student debt in Nova Scotia after an undergraduate degree is about $31,000[112]. The principle of a debt-based system of student aid is that the upfront cost of tuition fees should be shifted to the after-study period and increased based on the accrual of interest. A debt-based system ensures that those students who are able to pay their fees up front face less of a financial burden than students forced to borrow money through student loans in order to cover their costs.

The NSAB believes 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.

In 2011–12, the NDP government announced several changes to the student financial aid program in Nova Scotia. The most significant change was the introduction of a debt cap program to be phased in over the next four years. The program will pay a portion of loans over a certain amount for students who graduate. By 2014–15, the debt cap will be $28,560 and will cost the province $8.1 million annually.[113] Although the program recognizes the need to provide more non-repayable assistance to students, there are several problems with the program.

Currently, the Department of Education also provides 30% of a student's provincial student loan in the form of a non-repayable grant. In 2009–10, the government spent just $6.8 million on these grants to students.[114]

These programs, however, are still significantly below the government investment in the Graduate Retention Rebate. The program, announced as part of the NDP election campaign, offers a $2,500 non-refundable tax credit to graduates who stay in the province following graduation. Regardless of income or need, a graduate can claim the credit for up to five years. The 2011–12 provincial budget allocated $25 million to this program, an increase of $8 million over the 2010–11 Budget. The government has not released information on the number of graduates who have participated in this program.

Tax credits are an ineffective use of public money and an ineffective way to reduce student debt as many graduates do not pay taxes until years after graduation and cannot access the credit. In addition, for students who need the financial assistance the most, the money does not arrive when it is needed the most — when they are studying. In addition, higher income families get more benefits and therefore it is an inequitable program.[115]

If the government were to spend the $25 million from the Graduate Retention Rebate into direct grants to students, it could provide 100% of a students' provincial student loan as a grant. Grants are distributed based on students family income, meaning that investing in grants program would ensure that assistance was going to those most in need, rather than going to those who make more money. The NSAB investment in grants would mean that after four years, a low-income student receiving a maximum student loan would graduate with about $20,000 of debt, far below the $28,560 cap. Students in Canada who access government student loans receive 40% of their loans from the provincial government and 60% from the federal government. If the federal government improved the national student grants program the figure of $20,000 would also decline. The provision of up-front grants would also benefit students in one to two year programs, as well as students who had to leave studies or study part-time.

This reinvestment would also mean that the $8.1 million dedicated to the debt cap program would no longer be necessary. Instead, the government could use this money to offer debt relief to graduates struggling in repayment. There are many ways that the province could help graduates and other borrowers currently in repayment who would not benefit from the increase to the grants program the NSAB recommends above. Borrowers who qualify for such programs should be automatically enrolled, and not subjected to long, complicated application processes.

The NSAB recommends that the government provide 100% of the provincial portion of a student's student loan as a grant by reinvesting the $25 million from the Graduate Retention Rebate into up-front grants.

The NSAB recommends that the $8.1 million money budgeted for the debt cap be reinvested in debt reduction programs for students in repayment, and that any savings from grants programs be re-invested in student assistance programs.

NSAB Actions

- Reduce tuition fees for the Nova Scotia Community College by 50%. **Estimated Cost: $16 million.**
- Reverse funding cuts to universities by increasing per-student funding for universities to 1990 levels. **Invest in affordable post-secondary education: $30 million**
- Keep funding at this level in order to **freeze tuition fees, eliminate the differential fee for out-of-province students and develop a framework for reducing tuition fees for domestic, out-of-province, and international students.**

- Require the release of financial documents to the public as with other public expenditures.
- Establish **standard financial reporting procedures for universities and develop regulations on the use of public funds and user fees** collected by the university in consultation with universities, and unions representing students, staff, and faculty.
- Review the legislation of each university and with stakeholders develop membership criteria for Boards of Governors membership, which **focus on public accountability, and student, staff, and faculty involvement.**
- Invest in an autonomous, well-funded NSCAD, by **using the $25 million money from the University Excellence and Innovation program to eliminate NSCAD's outstanding debt on the Port Campus. Cost neutral.**
- Improve student financial assistance by **providing 100% of the provincial portion of a student's student loan as a grant** by reinvesting the $25 million money from the Graduate Retention Rebate into up-front grants. **Cost neutral**

Total new spending in post-secondary education: $46 million

Adult-Learning

The NSAB enhances our ability as a society to achieve greater economic and social justice in our province. To that end, it supports adequately funding a public education system that is inclusive, student-centred, and current for the twenty-first century. The NSAB provides public funding for an education system (from primary to grade 12 and post-secondary education as well as adult learning and literacy programs) which will enhance our ability to achieve greater economic and social justice in our province.

As of 2006, over 200,000 people over 15 in Nova Scotia did not have a high school diploma.[96] In 2009/2010, only 68.5% of youth aged 18 or 19 had completed their high school diploma. In 2006 the Canadian average income of someone without a high school diploma is $20,833, compared to $28,038 for those who do have a diploma.[97] This income disparity means less taxes, and likely means more social spending, since lower income people draw more significantly on public services. While the province has explored the issue of absenteeism and student dropouts, much of the approach has been on increasing the drop out age and on penalizing absenteeism. Such an approach fails to recognize the breadth of issues facing young people. Poverty, racism, difficulties with the curriculum, youth mental health, and other issues impact the way that youth may feel included or excluded from the classroom. A strategy that addresses our P-12 system should reflect these complexities that would assist in preventing these dropouts. In addition, given what is known about the links between crime and low levels of literacy, the NSAB makes a substantial investment in adult learning.

NSAB Actions

- Direct **$6 million to the Nova Scotia School for Adult Learning**, which is an initiative of the Department of Labour and Workforce Development, that co-ordinates all adult learning programs, policies and services in the province. It also administers the General Educational Development tests, (GED), an international high school equivalency testing program for adults.[98]
- **This amount almost doubles this program's budget and represents almost half of the current estimated costs of crime attributed to poverty (as outlined in the poverty reduction section above).**

Total new spending to the Nova Scotia School for Adult Learning: $6 million

Building Safer Communities

THE NSAB RECOGNIZES and wants to continue the downward trend of crime rates in Nova Scotia since the early 1990s. The crime rate in Nova Scotia has been mostly declining since the early 1990s. The NSAB wants this trend to continue. In 2010, the crime rate was 698 per 10,000 people in Nova Scotia, the lowest crime rate in the province since the late 1970s.[116] Despite this, over the past 10 years, youth crime has increased and violent crime has not declined. [117]

Further, over this period, incarceration rates have increased substantially. In 2007–08 and 2008–09, the number of inmates admitted to provincial prisons were the highest since the mid 1980s, despite the reality that fewer inmates are serving sentences. In 2008–09, sentenced inmates accounted for less than a third of admissions in Nova Scotia prisons. The remaining two thirds were for remand — those people who are held in custody while waiting for a court appearance.[118] This is an affront to the principle of "innocent until proven guilty".

An increase in remand inmates held in custody is part of a national trend. A 2003 report from Statistics Canada reported that "While rates of crime and sentenced custody have been generally decreasing, the use of custodial remand has been increasing steadily, progressively comprising a larger share of the incarcerated population."[119] Across Canada, inmates on remand make up about 60 percent of inmates.

The cost of people in custody on remand is substantial. In 2010, the average daily count of provincial inmates in Nova Scotia was 426: 157 sentenced inmates, 241 people on remand, and 28 in custody for another reason (usually people in custody awaiting deportation).[120] The average daily cost of an inmate in provincial custody is about $200,[121] putting the cost of incarcerating people who have not been sentenced at $17.6 million or about 58 percent of prison costs in Nova Scotia.

Last year, the Department of Justice contributed just over $26 million in grants and contributions to community-based crime prevention programs. This is less than 10 percent of its overall budget. In comparison, the department spent $93 million on a contract for policing with RCMP.[122] **The NSAB contributes an additional $2 million in crime-prevention programs**, with a plan to incrementally increase crime prevention, with the goal of decreasing other costs.

Criminalization and policing impacts communities differently depending on an array of factors. For example, the vast majority of women in prison are mothers. Women are more likely to be in prison for property- and drug-related crimes and sex work, yet, the Nova Scotia provincial prison system places all women in a single wing of the Central Nova Correctional Facility. Women from Cape Breton to Yarmouth are housed in Dartmouth, meaning that in order for their families to visit them they must travel into the city. For aboriginal people in Nova Scotia, the legal system fails to recognize the history and continuation of colonialism that resulted in high instances of aboriginal poverty and alcohol and drug abuse. These social issues mean that aboriginal people are over-represented in our prison system as a percentage of the population. Aboriginal people represent just 4% of the Nova Scotia population, but were 9% of the provincially sentenced inmates in Nova Scotia in 2008–09.[123] While Statistics Canada does not publish the numbers of African Canadians or other racialized groups in provincial prisons, the federal correctional investigator launched an inquiry in December 2011 into a 50% increase in the proportion of black inmates over the past decade.[124]

The NSAB recognizes that crime is a social problem caused by a complex array of factors, and cannot be attributed simply to individual behaviour. To reflect this, spending in the Justice Department should focus on preventing crime, rather than policing communities and should aim to lower rather than increase incarceration rates. Spending should prioritize programs that research shows will lead to crime reductions — including improving access to addiction and mental health treatment programs, investing in education from early childhood to post-secondary levels, and ensuring that everyone has quality, affordable housing that is safe and accessible is available. By investing in housing, health care, education, and social assistance, the province can begin to address some of the factors that contribute to crime. Employment can be generated from these programs offered in all communities of the province, but building a jail and creating jobs for prison guards in one community is not a growth strategy for the province.

The recommendations in this budget aim to improve social conditions for people living in Nova Scotia — an aim that could also continue to reduce crime levels in the province. For example, a long-term longitudinal study found that investment in early learning also had to impact of resulted in significant savings, in part due to lower crime costs.[125]

In addition, the province needs a strategy to address the trend of large populations of people in custody on remand in order to have incarceration rates reflect lower crime rates. This could include more investment in community release supports and programs, additional community-based support for people facing addictions, and addressing the backlog in our courts system, including expanding Nova Scotia Legal Aid Services.

The Conservative federal government has been clear that its approach to crime involves harsher penalties and increasing prisons and policing. Federal crime legislation has significant and serious impacts on provincial justice spending and on the province's budget. The Parliamentary Budget Officer's office has estimated that Bill C-25 (the Truth in Sentencing Act), which limits the credit that a judge can offer for time served prior to sentencing, could cost the provinces about $5.3 billion by 2015–16 by requiring longer custodial sentences for those convicted of an offence.[126] Considering that Nova Scotia prisons hold about two percent of provincial and territorial inmates, the provincial government could be responsible for something in the neighbourhood of $105 million in corrections spending by 2015–16: more than three times what the government currently spends on correctional facilities. This figure reflects only that single piece of legislation.

The Parliamentary Budget Officer has also been working on estimates on the costs for Bill C-10 (the Safe Streets and Communities Act), but because the legislation, dubbed the omnibus crime bill, amends so many pieces of legislation, this process is slow and difficult. The most recent data examines the cost increases related to new restrictions for community sentences. According to the PBO, this change will also result in less guilty pleas and more cases going to trial, resulting in some not guilty verdicts and less people under supervision. In addition, because conditional releases tend to require an inmate to be under supervision for longer than sentences in custody, these people will face shorter lengths of supervision. Despite these shorter periods of supervision and fewer offenders, sentences that previously would have resulted in community supervision costing the province about $276,000 will now result in incarceration at a cost of about $5 million.

NSAB Actions

- The NSAB recommends that the Province of Nova Scotia join other provinces in **refusing to pay any of the costs stemming from the legislative changes in Bill C-25 (the Truth in Sentencing Act) and Bill C-10 (the Safe Streets and Communities Act)**.
- The NSAB further recommends that the government develop a strategy for reducing prison spending in the province, including a moratorium on new prisons. This could result in a **potential savings of $105 million**, though the NSAB recommends increasing investments in community justice programs and directing priorities based on evidence-based best-practices for crime prevention initiatives.
- The NSAB also **invests an additional $2 million into community-based crime prevention initiatives.**

Total new spending on crime prevention initiatives: $2 million

Sharing Our Collective Resources

THE PEOPLE OF the province have developed our province's natural resources and the built infrastructure over time. The NSAB recognizes our collective investment in these resources through taxes and labour, and asserts that these resources should be shared across the province, rather than serve as possibility for individual profit and gain. Having access to energy, water, and public transportation are important to both economic development and quality of life in Nova Scotia. This section begins by considering how we can ensure that both a rural lens and gender-based analysis guides our decisions.

Economic Development For All of Nova Scotia and Nova Scotians

Nova Scotia has a rich heritage of asset-based community economic development. Successes like the Antigonish Movement have sparked social economic initiatives in places beyond our provincial borders. Unfortunately, it is more difficult to find evidence of their inspiration in Nova Scotia over the past 20 years. Strategies fostering self-reliance and ingenuity have been displaced by mega- business attraction and appeasement.

There are many different approaches to economic development. The NSAB advocates that we continue to support an approach with a rich history in Nova Scotia — community economic development. This approach underlines the need to ensure that any strategies for developing economies — from the planning to the implementation — respond to each community's unique needs and priorities.

Current trends are very troubling, as are the solutions being further proposed to deal with them. While the shipbuilding contract at the Irving Shipyard in Halifax will definitely have a positive economic impact, we are less sure that it will be as significant as has been postulated either on the jobs front or on the economic growth front. What is clear is that it will contribute to a significant threshold and further deepen the division between urban and rural Nova Scotia for the conference Board of Canada predicts that within the next five years, for the first time ever, Halifax's share of the provincial GDP will pass 50%, which the Conference Board of Canada forecasts will happen in the next five years.[127] Building a super-city and hoping for some "trickle-down" effect for rural Nova Scotia is not the answer. Nor is the answer development of unsustainable shale and coastal aquaculture as rural job creators. The demographics of the province may be troubling as the latest Census data has told us, but these should not be seen as inevitable determinants. Rather we should consider what this data tells us about community needs that could inspire innovation to meet them. Perhaps it is time that we look to Quebec and Vermont's artisanal and cooperative rural economies, before we become too close to resembling the wastelands of Tennessee and Pennsylvania's wastelands. As the NSAB has previously indicated, a system of early learning and child care is one critical component to turn the demographics of a province around.

Nova Scotia has a very supportive legislative environment for community economic development. However, one of the main criticism's of this work is that much of the on-the-ground work has been focussed "primarily on economic factors of growth — skills attraction and retention and labour market issues including the promotion and development of small businesses, which may or may not include cooperatives and social enterprises. 'Community' involvement is often elected or appointed officers at the level of municipalities rather than community as in citizen or 'community and voluntary sector' involvement."[128] More needs to be done to support the sustainability of such enterprises, which requires robust community involvement and governance.

Rural Nova Scotia

In recognition of the need to support innovation and sustainability in rural Nova Scotia, this year's NSAB invests in a model developed in Quebec called Rural Labs.[129] Supported by Quebec's National Rurality Strategy, the NSAB would fund a series of call for proposals for these labs or rural sustainability projects with a view to support "the efforts of rural communities to achieve socioeconomic revitalization and diversification."[130] We would emulate Quebec's initiative of funding enterprises in the social economy with most projects led by non-profit-organizations, and co-operatives, or less frequently, by municipal governance bodies. In Quebec, projects have focused on a range of issues and sectors from health, to immigration, to the family, sustainable development, forestry, traditional aboriginal knowledge. One example is a forestry co-operative which develops added-value products and the organization, harvesting and marketing of these products that are prized in the food and health sectors.[131] The Quebec government spent $1 million in the first year, and the third year's call for projects saw them spend $2.5 million in the third year, for a total investment of $15.5 million for 33 projects. Each of the 15 eligible regions developed at least one project. Some regions had up to 4. Each project was awarded for up to $100,000 per year for up to 6 years.

In Nova Scotia, the NSAB recommends this project builds on the Community Development Trust Funds, which ended in 2011. It could help fund projects in the social economy where in the triple bottom-line is critical: one that achieves social, economic and environmental goals and is not focused on profit over people and communities. **Total Investment in Rural Laboratories: $3 million**

Women's Economic Development

Development plans would be ideally integrated with regional or community-specific poverty reduction plans that consider how different groups of people are differently affected by the economic development plans — groups like women, Aboriginal people, immigrants and refugees, taking into consideration racial, and cultural needs and gender differences.

Research and women's experience shows[132] that women's poverty and economic insecurity is rooted in many systemic issues including the devaluation of work traditionally done by women including work in the home, the wage disparity between women and men doing similar work, inadequate access to childcare, and inadequate social assistance rates.

According to the Advisory Council on the Status of Women, women are the majority of workers in eight of the ten lowest paying jobs in their province. The Advisory Council study found that women make-up 85 percent of cashiers and food and beverage service workers, and nearly 100 percent of early childhood educators, and babysitters, nannies, and parent helpers. The Advisory Council study also found that even in these low-wage sectors where women make up the vast majority of the workers, women still made less on average than their male co-workers.[133]

Conversely, women are the minority in the ten highest paying occupations in Nova Scotia. Women make up about 17 percent of senior managers, 28 percent of physicians, and about 30 percent of dentists and lawyers. Women represent 41 percent of senior management in the Government of Nova Scotia.[134] The Nova Scotia public service has had employment equity policies in place since 1975. A recent government report shows that, overall, women have gone from 30% to 53% of public employees, even though they are still under-represented in 'non-traditional' jobs and at higher levels of the public service.[135] **The NSAB fears cuts to the public service will significantly impact women's economic security in Nova Scotia.**

The NSAB spending investments make gender equality a priority. The NSAB invests in areas where it recognizes women's economic well-being is more impacted: access to quality and affordable childcare, income assistance, women's shelters and affordable housing, as well as post-secondary costs. The NSAB further recommends a **$6 million** targeted investment to support women-centred initiatives underway, specifically Women's Unlimited, New Opportunities for Women and IT Works for all women programs. This funding and all funding current and future funding should be allocated to women-centred initiatives should be tied to an overall **strategy to improve the status of women in Nova Scotia**.

NSAB Actions

- The Department of Rural and Economic Development oversee the development of at least 13 **Rural Laboratory initiatives** in Nova Scotia, administered with the help of Regional Development Authorities: **$3 million**

- Increase investment in programs that support **women's economic development initiatives** including Women's Unlimited, NOW and the Women's IT program, as well as provide core funding to the WEE society[136] and Hypatia,[137] which are critical non-profit partners: **$5 million**

Total new spending on community economic development: $8 million

Energy Security

The focus of the energy section of the 2010 Alternative Provincial Budget was the precarious state of energy security in Nova Scotia. The opening remarks were as follows:

> The growing world demand for oil and the expected decline in world oil production will result in higher prices for oil products or localized shortages, or both. Jurisdictions such as Nova Scotia are particularly vulnerable to volatility in the oil markets given the number of low-income individuals and families in the province the overwhelming reliance on oil for transportation and heating (almost 90% of the oil products consumed in Nova Scotia are used for transportation and heating) and the fact that many of the province's suppliers are in decline and politically unstable.

At the time of writing the above (late February 2010), the price of light fuel oil for space heating averaged about $0.82/litre in Halifax (with prices higher in rural areas because of additional transportation costs). Two years later, at the end of February 2012, the average cost had increased to $1.16/litre.[138]

Anyone living in Nova Scotia is well aware that energy price rises have not been restricted to light fuel oil: the cost of both transportation fuels (notably gasoline and diesel) and electricity have increased markedly over this period. In some cases this is because of the rising cost of crude oil and coal, while in others, it is the cost of new taxes which have been imposed to fund agencies such as Efficiency Nova Scotia.

Rising energy costs are affecting Nova Scotia in a variety of ways. As people pay more for energy, they are forced to cut-back their spending for other goods, such as food, clothing, transportation, and entertainment. These decisions are felt throughout communities, hurting small businesses and reducing employment prospects.

Perhaps the highest profile example of the impact of rising energy costs occurred in late summer when NewPage announced that it would be closing because of the cost of energy in general and electricity in particular.[139] Soon afterwards, Bowater admitted that it was facing similar problems because of electricity costs. Should either or both of these companies close, the impact on their communities and the communities that supplied the mills with wood will be devastating. Since these two companies are responsible for much of the electricity consumption in the province's industrial sector, their closure will both reduce Nova Scotia Power's greenhouse gas emissions and increase the cost of electricity to Nova Scotians.

Not surprisingly, over the past year, the province's focus has been on a few "good news" energy stories, such as the production of the long-delayed Deep Panuke natural gas project and Shell's $950 million plans to drill for oil and natural gas in deep and ultra-deep waters in Nova Scotia's offshore.[140]These projects, presented as proof of the strength of the province's energy sector, do little to improve Nova Scotia's energy security: production from Deep Panuke is projected to be about one-third of the Sable project, produce commensurately fewer royalties, and has already been sold to Repsol for sale to New England; while the Shell project is simply exploratory and offers no assurances of success.

Even past good-news energy stories have started to lose some of their luster: the government-supported Daewoo facility in Trenton for constructing wind-turbine towers, often touted by the provincial government as a wind-turbine manufacturing facility, has started to lay off workers, and the Lower Churchill hydroelectric project is facing additional delays as Nalcor (owned by the Province of Newfoundland and Labrador) and the private for-profit Emera continue to work out a contract.[141]

A New Provincial Energy Strategy

The world has changed dramatically since Nova Scotia's existing energy strategy was released in December 2001, when it was assumed by many analysts and politicians that Nova Scotia was poised to become a significant player in Canada's natural gas industry and to improve energy security in the United States. Although neither of these dreams has come true, some things haven't changed over the past decade: Nova Scotia is still exporting its limited energy resources and relying on imported crude oil and coal to meet the needs of its basic energy services: transportation, heating, and electricity.

An energy strategy that improves the energy security of its energy services is essential for any economy. Jurisdictions that have recognized this focus on three key indicators: the availability of energy, its affordability, and its environmental and social acceptability.[142] In other words, where will the energy come from and how will we pay for it?

Nova Scotia's approach to energy security is backwards. Rather than building its energy strategy on the energy services that are vital to Nova Scotia's economy, successive provincial governments have mistakenly pushed for the development of energy sources with little consideration of how they could be used for the benefit of all Nova Scotians. As a result, energy sources, such as natural gas and biomass, which could improve the province's energy security, have been developed for export rather than the provincial market.

The present government's push for renewable electricity continues this tradition. As more variable sources of electricity, notably wind, are put onto the grid, it becomes increasingly difficult for NSP to incorporate it into its electricity mix to meet on-demand electricity services. One solution, advocated by numerous Independent Power Producers is to export the "green" electricity to New England where it will fetch a premium price (potentially atop the feed-in tariff subsidy that will be paid for renewable electricity in Nova Scotia).[143]

The alternative is to develop energy services that do not require on-demand electricity and are able to use variable sources of electricity. For example, storage heaters that can be charged at any time throughout the day; or even electric vehicles that can be charged when connected to the grid. This alternative requires **the implementation of a provincial smart-grid, employing interval meters and intelligent control systems that recognize the state of charge of each of device, supplying it with energy as required**.[144]

Improving energy security cannot be achieved overnight — it will take many years to reduce Nova Scotia's reliance on fossil fuels, meaning that **existing sources of energy must be examined critically to determine whether they can meet the province's energy service needs.** For example, some of Nova Scotia's principal suppliers of crude oil are in politically unstable regions of the world, such as the Middle East, where an event such as an attack on Iran or the closure of the Straits of Hormuz, could affect crude oil supplies to Nova Scotia.[145]

Two years have passed since the NSAB warned of the dangers of the province maintaining its existing energy strategy and doing little to improve its energy security. Since then, neither world events nor the provincial government have done anything to improve Nova Scotia's energy security.

NSAB Actions

- **Take the steps required to improve Nova Scotia's energy security and develop a new energy strategy.**

Water

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. The Federal government also has a role in regulatory standards and as the negotiator for various international trade agreements. 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, the strategy lacks measurable goals with specific timelines, resources and strategic priorities for implementation. There is also no clear indication of how Nova Scotia Environment, the lead agency, will work with other provincial departments to address persistent and cross-cutting water issues. The establishment of the Water Advisory Group was a good first step in strengthening water governance, yet this committee has been slow to act and has not demonstrated transparency or accountability to the public. The Province needs to step up and provide some real leadership and action.

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 for bottles of water at meetings and events hosted by the provincial government, and instead we can show our commitment and pride in the tap water we have available in Nova Scotia. ***Implementation of this commitment has not been announced.***

Water as a Human Right, Commons and Public Trust

In July 2010, the United Nations General Assembly voted to recognize water and sanitation as a human right. Then on September 23, 2011, the UN Human Rights Council (HRC) passed a resolution (A/HRC/18/L.1) on the human right to safe drinking water and sanitation and called upon governments to develop comprehensive plans of action to progressively realize this right, monitor the implementation of these plans, ensure adequate financing and provide legal remedies for violations.

The resolution set out these and other clear obligations to all levels of government. And closer to home, the Union of Nova Scotia Municipalities is already onside, having passed resolution 10A in 2007, that it "does hereby recognize and affirm that…access to clean water is a basic human right."[146] Despite all of this, water 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 often do not own the lands that contain the watershed for any given source. This leaves our watersheds vulnerable to contamination, and water pollution can be considered a violation under the resolution. Situations like the one that has been playing out in Boat Harbour[147] should be a thing of the past.

Water is a common heritage that belongs to current and future generations, other species and the Earth. The recognition of surface and ground water as a public trust requires that the government protect it for the public's reasonable use, and to make private use subservient to the public interest. **With water as a commons and public trust, full public consultations are required in decisions and policies affecting water such as oil and gas drilling applications and water taking permits.**

First Nations and Bill S-11

Bill S-8, the "Safe Drinking Water for First Nations Act," (previously Bill S-11), was recently tabled again in Parliament with the stated objective of ensuring First Nations have access to safe drinking water. While there are some amendments, they fail to deal with the concerns raised by First Nations about the previous Bill still stand, such as the federal government's failure to adequately consult with them and the lack of funding roles and commitments. The National Assessment of First Nation Water and Wastewater Systems for the Atlantic Provinces estimated that $42 million would be required to meet Aboriginal Affairs and Northern Development Canada's protocols for safe water and wastewater. Out of Nova Scotia's 13 First Nations, the report noted that three communities were high risk, three were medium risk and four were low risk.[148] While drinking water on First Nation reserves is a federal responsibility, this legislation sets up a framework where responsibility can be downloaded onto provinces, corporations or other bodies.

Hydraulic Fracturing

Hydraulic fracturing, commonly known as fracking, is a process by which unconventional natural gas is extracted from dense rock beds such as shale. A combination of sand, water and chemicals is blasted into the rock, causing it to crack or fracture. Many are heralding natural gas as fuel that can help transition us away from oil and coal. However, some preliminary studies on the full life-cycle emissions of fracked gas make it far less attractive than the use of oil and not significantly better than coal in terms of the consequences for climate change. This, paired with real concerns about contamination of groundwater and other health risks relating to the chemicals blasted into the ground, suggests a need for a provincial moratorium on fracking. The NS Government is currently conducting a review of fracking and recommendations are expected later in the spring (2012). **The budget implications of onshore gas extractions are unclear, but the small royalties would not come close to the potential ecological damage.**

Groundwater Extraction

In Nova Scotia, approximately 34% of the 82 municipalities obtain their water supplies from groundwater sources, and 12% use a combination of groundwater and surface water. Groundwater is also an important source of water for private wells, agriculture, industry and enterprise, and is used by most of the small non-municipal public water systems in Nova Scotia. Notwithstanding the importance of groundwater, in Nova Scotia, we allow companies to extract water, bottle it, and sell it back to us at an inflated price. The NSAB would prohibit the extraction of water by private companies for profit.

In a recent report, Ecojustice gave the provinces and territories each a grade in terms of their drinking water standards.[149] NS received the second-highest grade, but clearly that does not mean all the work is done. With hot issues like Boat Harbour (mentioned above) and Lake Ainslie (largest freshwater lake in NS, with the threat of oil and gas exploration through fracking within its watershed), this government needs to be reminded of its role in protecting this vital resource.

Water and Wastewater Infrastructure

The federal government has introduced new wastewater regulations which are set to come into force this year. While the Federation of Canadian Municipalities have estimated that the new regulations could cost up to $20 billion in upgrades over the next two decades, the federal government has failed to provide funding to municipalities to implement the regulations and protect wastewater treatment as a public service.

While high standards on the treatment of wastewater are critical to source protection, the failure to provide funding for these upgrades have left municipalities with P3s (private-public 'partnerships') as the only way to upgrade current eroding systems, or to establish new facilities. Indeed, access to some federal monies requires municipalities to enter into private contracts and P3 options. And international trade agreements such as the Comprehensive Economic and Trade Agreement (CETA), currently being negotiated between Canada and the EU, are pushing privatization even further. Backed by international private water super-giants Veolia and Suez, the EU has been pushing for access to lucrative municipal infrastructure contracts.

However, research across Canada and internationally has recognized that while public money is often spent to design and/or build public facilities like roads or hospitals or schools, inevitably the public loses when it enters into a "partnership" to continue to pay private operators for the ongoing use of such public facilities. Water privatization or P3s have resulted in price increases, job losses, decreases in service quality and lack of transparency and accountability. This is clearly not the way to go.

Wastewater treatment facilities are severely lacking in coastal communities, where historically it has been acceptable to dump raw sewage into rivers and the ocean. We now know that this untreated sewage can be a real problem for the ecosystems, and in some cases for access to freshwater for drinking and recreational purposes. The NS government allocated $75 million to municipal water and wastewater facilities in green money in 2001/2002.[150] This 2001–02 funding appears to be the last time such a significant investment was made. Given current issues and the difficulties faced by municipalities to fund these critical infrastructure upgrades, the NSAB commits to allocating sufficient funds to bring the standards up. The NSAB begins **by investing $30 million this year, with a commitment to double that amount annually as needed in the next three years.**

NSAB Actions

- Prohibits public-private partnerships in order to protect the human right to water;
- Ensures access to potable water and sanitation in all Nova Scotian communities, and legislates access to public water via taps (and sanitation via public, 24hr washrooms) in larger urban centres with appropriate levels of funding to implement the legislation
- Eliminates industrial extraction of water for private profit (bottling plants);
- Implements the phase-out of bottled water at meetings and in government offices;
- Establishes standards for water use for industrial purposes and agri-business;
- Establish a Water Act by 2015 that includes transparent and accountable governance arrangements, the ability to impose licensing conditions for water use and discharge, and mechanisms for the effective designation of priority areas where additional management will be required. A Water Act should also contain measurable targets for water use efficiency and water conservation.
- Implement a ban on hydraulic fracturing
- Incorporate commons and public trust principles into all water related legislation

Total new spending on Water and Wastewater infrastructure: $30 million

Public Transportation

Transportation between rural and urban Nova Scotia is an important part of economic success and revitalizing rural communities, and economies. 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. As in the 2011 alternative budget, the NSAB creates a new crown corporation, Transit Nova Scotia (TNS), which would have an initial mandate to provide inter-community bus transportation. Similar to what happened when Nova Scotia Power was created; the provincial government should assume control over all existing inter-community bus routes, including Kings County Transit and Acadian Lines.

Metro Transit and Transit Cape Breton should be left out of the equation as they operate in a single municipality and provide local transport, though TNS will need to enter into agreements with both municipal transit providers to connect CBRM and HRM to the new network of bus routes. TNS may also want to consider assuming responsibility for Metro Transit's suburban routes connecting communities like Timberlea, Mount Uniacke, and Fall River to the urban core via routes arriving from rural areas.

Taking over Kings County Transit and Acadian Lines will provide TNS with the initial access to motor coaches, agents and experienced staff.

The cost of these routes is impossible to predict. The Kings Transit Authority currently spends just over $500,000 per line (they operate 5 lines).[151] The Kings Transit Authority subsidies each route by about 60%. The cost of operating a provincial system would likely go down because of economies of scale and the introduction of higher traffic routes to the urban centres. Based on these numbers and with about 20 routes, the total budget for TNTNS would be just above $10 million. At a provincial subsidy rate of 60% this would cost the province about $6 million per year. Some of this money would be set off by fees paid by the users of this new public transit.

The NSAB also recommends that any new services are affordable and accessible including (and especially) for people with disabilities. However, financial support (of $1 million) should also be targeted to the Community Transportation Assistance Program (CTAP). Launched in 2001 through Service Nova Scotia and Municipal Relations provincial office, the CTAP was to foster the growth and sustainability of community-based inclusive transportation services, which have grown from four to thirteen programs over that timeframe. Known as dial-a-ride or community-based transportation, the mission is to provide affordable and accessible transportation to rural Nova Scotians. This funding should be allocated as core-funding to cover the costs of key costs including program manager because current per-capita funding is not sufficient.

NSAB Actions

For 2012–13, the NSAB provides:

- **an initial investment of $20 million in new spending to finance the creation of a provincial transit corporation, Transit Nova Scotia**
- **An annual subsidy of 25% to 60% of total operating costs — estimated at about $6 million until the service becomes established and fully accessible.**
- **Additional core funding to the Community Transportation Assistance Program for community-based inclusive transportation services: $1 million.**

Conclusion

AS IN PREVIOUS years, this alternative budget shows how we can make strategic investments that will help those in need right now, but will also result in savings down the road. This can all be done while maintaining current spending levels, reducing the deficit and balancing the budget.

There are significant differences in approach between our budget and the provincial government's budget of 2011–12. We hope our recommendations had an influence on the budget for 2012–13. We have produced our NSAB since 2000. Finance Minister Steele is well aware of our prescriptions. Our members have actively participated in budget consultations. We have prepared published editorials with our suggestions.

The NSAB avoids slashing government expenditures and services. It protects programs while increasing revenues, primarily through increased upper-end income taxes. This budget does not pose a risk to the province's delicate recovery by imposing austerity measures that will result in job losses. Rather, it continues to build our social and physical infrastructure and invest in our communities and our people where it is most needed. Having said that, the NSAB also recognizes that there are serious limitations to the amount of revenue that can be raised in the province alone. The federal government's ability to tax both individuals and corporations, and its federal spending power and equalization payments are undoubtedly critical. As long as the wealthiest Canadians are asked to pay taxes at a rate similar to the rest of us and that this wealth is redistributed equitably, the NSAB embodies a sustainable and progressive approach to budgeting that brings us forward to fairness.

Notes

1 Nova Scotia Department of Finance, *Budget Highlights* (Halifax: Government of Nova Scotia, 2005 and 201).

2 Sources: Statistics Canada, Cansim Series # 385–0002; Department of Finance, *December Budget Update* (Halifax: Government of Nova Scotia*, 2011*).

3 The Honourable Graham Steele, Minister of Finance, *Budget Address*: *Building on the Province's Plan for Change that Makes Life Better for Families for the Fiscal Year 2011–12 (*Halifax: Government of Nova Scotia, 2011), p.2;. http://www.gov.ns.ca/finance/site-finance/media/finance/budget2011/Budget_Address.pdf

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