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Budget in Brief

Nova Scotia Alternative Budget 2010

The full Nova Scotia Alternative Budget, available on-line at www.policyalternatives.ca, provides additional information, extensive background research, and tables and charts for this Budget in Brief.

Executive Summary

Sources of Revenue:

Growing the Economy **$80 million**

With the Nova Scotian economy expected to grow by around 2%, it is estimated to generate $80 million for the Province

Corporate Tax Expenditures **$44 million**

The NSAB has estimated the Nova Scotia Government could raise $44 million through cutting corporate tax expenditures

Reform Personal Income Tax Rates **$399 million**

The NSAB would concentrate an income tax increase for the top 40 % of Nova Scotian taxpayers and in particular the top 10%.

Subtotal ***$523 million***

Strategic Investments

Water **$1 million**

- Invest $1 million to establish a provincial public water infrastructure fund which can assist municipalities with wastewater treatment facilities. All provincial revenues generated from the sale, industrial and agricultural use of water should be directly invested in this fund.

Energy Security **No new spending**

Local Food Security **$1 million**

- Provide a $1 million investment for the Direct Market Community Development Trust Fund

Shelter **No new spending**

Employment Support Income Assistance **$12.2 million**

- Include a basic phone service allowance for all NS households in receipt of ESIA benefits — $7.2 million in new spending
- Give an immediate 10% increase for all ESIA benefits for all able-bodied unemployed recipients — $5 million in new spending

Community Health Centres **$20.6 million**

- Establish a CHC Development Group in the Department of Health to help establish a number of new community health centres each year — $300,000 per year in new spending
- Support new and existing community health centres provided directly by the Department of Health $20 million per year in new spending
- Support the continued operation of the Federation of Community Health Centres of Nova Scotia as the umbrella organization for CHCs in the province — $300,000 per year in new spending

Pharmacare Program **$25 million**

- Merge the administration of the 5 currently offered Pharmacare plans and place them under the jurisdiction of the Department of Health
- Invest $25 million per year to reduce or move toward eliminating co-pays and deductibles from the pharmacare plans, starting with the Family Pharmacare program

Early Learning **$2.4 million**

- Introduce a phased-in pre-primary learning and child care system in 19 existing Pre-primary sites in September 2010—$2,375,000 in new spending

Public Schools **$2.1 million**

- Establish a provincially administered Special Needs Services program — $2 million in new spending and redirection of existing funds from Student Services
- Create positions for Special Needs Representatives on all 8 local school boards — $100,000 in new spending

Post-Secondary **$36 million**

- Invest an additional $18 million to complement the Nova Scotia Bursary Trust fund and allow for a $1,100 tuition fee reduction for all Nova Scotia University students
- Re-direct $14 million from the Graduate Tax Credit to up-front needs based grants and to increase the grant portion of every provincial student loan from 20% to 50%
- Remove tuition fees from all NSCC courses — $18,000,000

Transit Nova Scotia Corporation **$20 million**

- Provide an initial investment to finance the creation of a provincial transit corporation, Transit Nova Scotia — $20 million in new spending

Public Insurance Corporation **$15 million**

- Provides a one time investment of $15 million for initial capitalization to create a Public Insurance Corporation.

Worker's Co-operative Corporation **$15 million**

- Creates a new crown corporation designed to assist workers' cooperatives with an initial capitalization of $15 million in 2010 and $10 million in each subsequent year — i.e. use half of what Nova Scotia Business Inc receives in provincial funding

Subtotal ***$150.3 million***

Economic Context: What can we afford?

The government's Economic Advisory Panel says "There is no need for the government to push the panic button. Even the situation described in the worst of the projections examined — status quo policy — is not a looming catastrophe."[1]

Panic about the fiscal situation can stampede the public to support governments in restraining spending too far and too quickly. Timing is very important in climbing out of a recession. Yes, moving timidly can create problems because we don't want an unnecessary debt. But moving too aggressively can be worse because it can result in permanently shrinking our collective capacity to boost the economy and to take care of one another.

So, before we panic let's remember one simple, overwhelming fact: In the past twenty-five years, the province of Nova Scotia has become more than 60% RICHER (in real Gross Domestic Product per capita.) That is, collectively, we are 60% better able to afford the things that make our lives better and make us even more productive, such as health care, education, sewers, clean water, good roads, art galleries and museums. And we're 60% more able to care for those who cannot care for themselves.[2]

Taxes are the price we pay for a civilized society, one which is educated, healthy, secure, orderly, just, and compassionate. Taxes pay for the government services which benefit us all, individually and collectively.

What would real tax reform look like? A good tax is triple E — efficient, easy to administer, and equitable. Efficiency means it has limited effects on behaviour, such as unproductive efforts to avoid the tax, although some taxes are intended to change behaviour, such as a cigarette tax. Easy to administer means it does not involve a lot more red tape to introduce or maintain. Equity requires that the tax paid reflects ability to pay. A tax is progressive when people with higher incomes pay a more than proportionate tax because their greater income and wealth mean they are paying for it out of their discretionary income, not at the cost of necessities. A regressive tax takes a greater proportion of the income of lower income people.

Canadians take pride in believing we are a progressive country and that includes our tax system. After all, we have income tax brackets so that as a person's income rises, they move into a higher tax bracket and pay a higher rate of tax on extra income. However, because our tax system also relies on regressive sales and property taxes, and there are loopholes accessible to the wealthy in our income taxes, our tax system is only mildly progressive.

Generally, sales taxes are regressive because they affect a greater proportion of the expenditures of the poor who must spend all of their income to survive (see upcoming section "Why Income Tax is Fairer than Sales Tax.") Property taxes are regressive because, although people tend to live in more expensive homes as their incomes rise, the amount spent on housing rises less quickly than their incomes.

When we need more tax revenue we should use an income tax, the primary progressive tax in Canada. This also makes intuitive sense as the largest income growth over the last 35 years went to the very wealthiest Canadians. We can afford to have more government services because the economy has grown and the people who benefited from that growth and policy decisions to provide tax cuts to the wealthiest among us should pay their fair share, through an increase in the income tax on the upper brackets. This would create more equity in how taxes are shared and also in after tax incomes, offsetting some of the market-created inequities so prominent today.

Raising Revenues, Increasing Fairness

Growing the Economy

According to the Department of Finance, 1% in economic growth contributes $40 million to government coffers. The NSAB Working Group projects that in 2010, the Nova Scotia GDP will grow by 2.1%. This *real growth* estimate is the median rate of growth for NS as projected by 5 of the major Canadian Financial Institutions. This 2.1% estimate also falls in line with the Department of Finance's estimate of "just under 2%."

It is reasonable to expect $80 million in revenue generated for the government through a growing economy. And $80 million may be a low-ball estimate, as more of the government's strategic investments emerge. For example the NSAB believes that additional economic growth will result from the recent policy initiatives of this government such as the investment in the Trenton Works factory to produce wind and tidal power turbines. There are several good things about the Daewoo deal:

1. Government has taken an equity stake in its investment. If a profit is made, the provincial government will take our portion of it, rather than merely interest (if it's a loan) or nothing (if it's a subsidy or tax expenditure.) The public will also have some say in what is done with its money.

2. Investment in green technology has been a NSAB policy recommendation in many past documents. Canada and Nova Scotia should not only be investing in alternate forms of energy generation, but we should be specializing in the production of the technology for it.

3. Between 300 and 1000 new jobs (or jobs lost in the former shutdown) will be realized.

It is unfortunate that 51% of possible profits will return to a Korean Based transnational corporation instead of to Nova Scotians, however it is the kind o f policy initiative that should be supported in principle. The Nova Scotia government can be doing more to assist local companies in their acquisition of a stake in the green economy.

Adjusting and Closing Loopholes:
Corporate Tax Expenditures

The APB is amazed to report that a major expenditure item worth almost one hundred million dollars is not even reported in the provincial budget documents. One of the neatest tricks in government budgets is the revenue they *don't* collect. In business, if your company owes my company a hundred million dollars and I allow you not to pay me that amount, then accounting rules say I have to report that amount as either an expenditure or an uncollected debt. But most governments don't do that.

These are called *tax expenditures*. "Tax" because they are tax credits or tax write-offs. "Expenditures" because, in reality, the government is spending money. The government allows some people or some companies to not pay all the taxes they owe. But it has exactly the same effect of delivering a gift or a subsidy. It reduces the amount of revenue the government collects and therefore the amount available for other expenditures.

Unlike most gifts or subsidies, the secrecy makes government unaccountable. We all got very exercised recently when a few MLAs spent tens of thousands of dollars unaccountably. We should have been livid about the 28 million dollars spent on private operators of school facilities. We should get more upset when tens of millions are not accounted for by way of government tax expenditures to corporations.

How do we know that government tax expenditures exist? We know from business owners, the business media and others. Also the government itself announces that these writeoffs are available. But it doesn't tell us how much it spends on them.

Tax expenditures, like any expenditure or tax, are not bad in and of themselves. They can promote policies that are good for the province's people and its economic development. For example, the government has a film tax credit, a digital media credit, a research and development tax credit, a new small business tax deduction. But because the tax expenditures and their destination are not in the provincial budget, neither the public at large, nor the members of the legislature (nor even members of the cabinet) can effectively and systematically question either the expenditures or the results.

Invisible tax expenditures existed long before the Nova Scotia NDP came to power. But, in the spirit of full disclosure on which it campaigned and on which it was elected, the present government should make a clean breast of it. We challenge the provincial government to begin full reporting of tax expenditures in the provincial budget.

Not every Canadian government plays hide-and-seek with this important issue of public policy. The federal government reports tax expenditures. Saskatchewan has done so for a long time. This was true under the NDP but the present Saskatchewan Party continues the good habit. We know that Saskatchewan corporate tax expenditures are more than thirty percent of what they collect from that source. Extrapolated to Nova Scotia that would amount to over $100 million.

We also know that in 1999 then Tory Finance Minister Neil Leblanc reported corporate income tax writeoffs of $87 million, which in today's dollars would amount to $111 million.

We are fairly confident estimating Nova Scotia's tax expenditures at $110 million. If the government heeds our challenge and subsequently publishes the exact figures, we will be glad to adjust this amount upward or downward, as the case may be.

Now that we have an inkling of the size of the giveaway for our province, let us remember, if we needed reminding, that we are living in hard times. Finance minister Graham Steele is looking for ways to whittle away at next year's anticipated $600 million deficit. And he is asking us all to pull in our belts. Corporations should do their part and forgo some of the bounty they have been receiving at the taxpayers' expense. Given that we don't have a list of those receiving the subsidies, a second-best solution would be to cut the total tax expenditures by 40%. This would likely result in an extra $44 million for the government coffers. Mind that this would not be a rise in corporate taxes but merely companies paying more of the tax they actually owe. It still leaves the government $66 million for corporate tax breaks to give to deserving companies, still a most generous gift from the taxpayers.

Why Income Tax is Fairer than Sales Tax

With real earnings of all but the wealthiest Nova Scotians declining in the past twenty-five years[3], few are enthusiastic about paying more taxes, especially as general prosperity has risen in the province. But we are going through a difficult patch and difficult times require difficult choices.

Since the election of the new government, raising taxes has been one of the serious policy options to the province's economic problems. The Premier's Economic Advisory Panel suggested (among other things) raising either the income tax or the sales tax, or both[4]. As he toured the province with his Back 2 Balance consultation, the Finance Minister suggested raising the provincial sales tax. And generally, raising taxes is met with reluctant acceptance by the public who realize that cutting programs is the unsavoury alternative.

A few years ago, the federal government dropped the federal sales tax by two percentage points. The provincial government has been talking about claiming that abandoned tax room and to add up to $345 million in provincial revenues by raising the provincial sales tax by two percentage points.

But, we submit, raising *sales* taxes is not the best way to go. If we are going to raise taxes, a much fairer method is raising *income* taxes, especially on those at the higher end of the income spectrum.

Indeed, a CBC-Corporate Research Associates poll on March 9 suggests that Nova Scotians do not favour service cuts. As far as raising revenue, they are not enamoured of a sales tax hike and are more inclined toward a surtax on the richer among us.

Polls show that Canadians, and especially Atlantic Canadians, are prepared to pay higher taxes to maintain and improve crucial public services, such as health care and education[5]. Here is a useful analogy: If someone came up to us and asked us to cut ourselves and open up a vein, we would justifiably ask if the person were crazy. If the same person asked it in a slightly different way: "Would you allow a clinic to take a pint of your blood for free to give to someone who needs it for a surgical operation," we would say yes. It's the same with taxes. We agree to donate to help the community.

A fundamental principle of taxation is the concept of vertical equity — the greater your income, the greater the proportion of your income you pay in taxes. This is because, for example, taxing 10 percent of the income of a person making $300,000 a year is removing some of her discretionary income while 10 percent of their income taken from a person making only $30,000 is taking income needed to meet basic expenditures.

A tax whose rate rises as people's income rises is called a *progressive* tax. A tax whose rate falls with income is called a *regressive* tax. Progressive taxes are equitable. Even Adam Smith, the father of economics beloved of free marketers, wrote, in *The Wealth of Nations:*

"The necessaries of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it…It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion."In Canada (both provincially and federally,) we pay several types of tax, e.g. income tax (both personal and corporate) — sales tax, property tax, payroll tax etc.

Commodity or sales taxes are the opposite — consistently regressive. The bottom 10% pay about 17% of their income in sales tax while the top 1% pay only about 5%.

Why would this be so? Surely the rich spend more on commodities than the poor and pay more sales tax. Yes, but not as a proportion of their income. For families making $30,000 a year, virtually all of their income must be spent to survive — and most of those expenditures will be subject to the HST. A family receiving an income of $100,000 will save some and spend some in other countries where they can often get a rebate of those countries' sales taxes. Some of what is saved will go into tax shelters, such as RRSPs and Tax Free Savings Account

Sales taxes have been around for a long time (especially at the provincial level, where it was a necessary revenue generator while provincial income tax was tied to that of the federal government). But reliance on income taxes was the hallmark of the modern welfare state. That was until the resurgence of neo-liberalism in the mid 1980s. At that time, business lobbyists persuaded governments to lower corporate income taxes and raise sales taxes. This was followed in the 1990s by a campaign to lower personal income taxes, primarily on high incomes. This was a successful attempt by the rich to shift the tax load away from themselves toward the middle class. Lee shows that when we combine all of the taxes we pay, this ultimate tax line is becoming flatter and flatter, with the poor paying more and the rich paying less. We believe this trend must stop.

The top 5% of the population pays less in total taxes than the poor. People who make more than about $165,000 a year pay less as a proportion of their income than those who make the least. This also needs to be rectified.

In the words of Hugh Mackenzie, "Can we finally have an adult conversation about taxes?[6]" and that means the more you reap from society, the more you should pay back to society.

The conclusion — a return to equity and progressivity in taxes means shifting of more of the revenue base to income taxes and making the income tax more progressive, with higher tax rates on the higher brackets.

Generating Revenue & Saving Money

During the Back to Balance Consultations, the Finance Minister collected a great deal of data — ideas on how to generate revenues other than an increase in the HST. Rather than manipulating the data collected at the public Back to Balance Pre-Budget Consultation to support a budget which cuts services and increases the sales tax, the Alternative Budget Working Group encourages the government to analyse the creative and alternative suggestions it received from Nova Scotians. These suggestions can be viewed at http://www.gov.ns.ca/finance/backtobalance/documents.htm

In this same spirit of offering suggestions for new and creative ways to generate revenue, the NSAB presents a variety of ideas for generating and saving money.

1. **Gas Guzzler Tax —** 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 x $50) per year in registration costs.
2. **No More P-3 Deals —** Let the continuing P3 school fiasco be a lesson for all considerations of future P3 projects, including Rodney MacDonald government's initiative to build a P3 convention centre in downtown Halifax on the former site of the Chronicle Herald.
3. **Pop-Up Tax —** It is recommended that the government implement an additional .25 tax on all bottles of pop, collected at the point of sale similar to the .10 recycle deposit. We propose that the money collected from this tax be earmarked for the Department of Community Services, as the people who would largely feel the burden of this tax are likely to be low-income earners.
4. **Decrease the Speed Limit —** According to GPI Atlantic, in 2002 motor vehicle accidents cost the government nearly $975 million in lost income, medical expenses, police salaries and property damage.[7] Reducing the speed limit will reduce the amount of gas used and result in fewer accidents.
5. **Environmental Assessments —** In an effort to ensure environmental assessments for development projects are consistent in measuring environmental impact, it is recommended that the Nova Scotia government collect 1% from all development proposals for the government in order to conduct Environmental Assessments.
6. **Extracting More Revenue from our Natural Resources —** Companies using our natural resources should pay their full cost. The government should do a complete review of the royalty and rental fee schedule, particularly as they relate to our minerals, to ensure that corporations are paying their fair share for the exploitation of our land.
7. **Fast Food Beverage Cup Deposit —** It is recommended that the .10 bottle deposit on drink containers be extended to fast food drink beverage cups. We propose that the money collected from this tax be earmarked for the Department of Community Services, as the people who would largely feel the burden of this tax are likely to be low-income earners.
8. **MLA Expense Budgets —** Changes made to MLAs' personal ($1050 per month cut out) and constituency allowances (reduced by $865 per month) and per diems (from $84 to $38) will save more than $1.25 million a year.
9. **Bargaining and Arbitration —** Moving to sectoral or coordinated collective bargaining and expedited arbitration as much as possible would reduce administration and the costs associated with these important and routine tasks.

Access to Clean Drinking Water

Water is a resource which falls under multiple jurisdictions, with private well owners, municipal governments, and the provincial government all assuming roles and responsibilities for the protection and maintenance of drinking water protection and delivery. While water is defined as a fundamental human right by the World Health Organization, it is also treated as a commodity in Nova Scotia. This leaves our water supplies vulnerable to free market practices. Further, water is a resource which is difficult to regulate, as the lands which contain the watershed for any given source, are often not owned by the users of the water supply. This leaves our watersheds vulnerable to contamination.

Repairing the Nets and Building Capacity

Wastewater

Due to a lack of commitment to water and wastewater infrastructure, municipalities have felt the need to turn to P3s (private-public 'partnerships') as a viable way to upgrade current eroding systems, or to establish new facilities. 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 facilites.

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. New federal standards for wastewater treatment have been established, but upgrades have not been happening due to a lack of funding.

Groundwater Extraction

In Nova Scotia, we also allow companies to extract water, bottle it, and sell it back to us at an inflated rate. The amount of revenue generated from the province for use in this way is minimal. Currently the Province only charges private operators a one-time approval fee for extraction of $129.00, then the prices are between $0.35 to $0.43 per 1 million litres. One facility in Colchester County extracts between 80,000 to 200,000 litres/day.

For 2010-2011, the NSAB recommends that the Provincial Government :

- Ensure access to potable water in all Nova Scotian communities, including those living on First Nations reserves, and that it legislate access to public water via taps in larger urban centres with appropriate levels of funding to implement the legislation
- Limit industrial access to water, for purposes including water extraction at bottling plants, which are not a large source of revenue for the province
- Ban the use of bottled water at meetings and in government offices
- Invest $1 million to establish a provincial public water infrastructure fund which can assist municipalities with wastewater treatment facilities. All provincial revenues generated from the sale, industrial and agricultural use of water should be directly invested in this fund.
- Establish standards for water use for industrial purposes and agri-business

Energy Security

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[11] 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)[12] and the fact that many of the province's suppliers are in decline and politically unstable.[13]

Our current level of energy exports makes little sense in a province that imports over 80% of the energy it consumes. In an energy constrained future, Nova Scotia will need to ensure that most, if not all, of the energy produced within its borders remain in the province to meet the needs of its energy services.

We are entering an era of higher energy prices and probable energy shortages. An energy importing province such as Nova Scotia must reduce its reliance on oil (and other insecure carbon-based energy sources) and replace our existing consumption with, as well as restricting future consumption to, energy sources that are secure, environmentally benign, and sustainable.

A New Provincial Energy Policy

There are two questions that need to be addressed by all jurisdictions in the twenty-first century when it comes to energy policy:

1. What are the energy services that will be needed in the future?
2. Where will the energy come from to meet the energy needs of these services?

To address these questions, the NSAB recommends that the Provincial Government develops a new energy policy based on the four 'R's[15]:

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

- **Reduce:** using less energy to meet the energy needs of the three energy services.
- **Replace:** replacing existing insecure energy sources with ones that are secure, environmentally benign, and sustainable.
- **Restrict:** restricting new demand to energy sources with ones that are secure, environmentally benign, and sustainable.

Food Security

The 2010-2011 Budget should provide grants for organic landscaping entrepreneurs and direct marketing and investments for farmers' markets, schools and restaurants to encourage healthy local options in our communities and decrease our dependence on imports. It is essential that we make local agriculture more sustainable.

The NS Department of Agriculture recently announced a $2.3 million (over 3 years) Direct Market Community Development Trust Fund. While this is a good beginning, the budget for the Trust Fund should be at least double to support the growing interest in community led food infrastructure.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Provides a $1 million investment for the Direct Market Community Development Trust Fund

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

- An additional $3.6 million for the Direct Market Community Development Trust Fund

Shelter

The NSAB calls on the Provincial Government to make affordable housing a priority, to create a strategic plan for the investment of housing funding, and to leverage the resources of the Housing Development Corporation to make it an effective executor of housing funds.

In 2002, when the Nova Scotia government entered a partnership with the federal government to provide and repair housing in the province, there was no strategy in place for maximizing the investment. This agreement included phase one 2002 federal funding of $18.63 million, with a matching contribution from the province and third parties, for a total of $37.26 million. The second (2005) phase of the agreement included federal funding of $9.46 million, with a matching provincial/third party contribution, for a total of $18.92 million. By the end of 2008, the total commitment of federal and provincial funding for affordable housing was $56.18 million.

With no clear strategy or leadership in place for housing over the past decade, it is unclear exactly how this full $56.18 million investment in affordable housing has been spent.

In April 2009, the Canadian Mortgage and Housing Corportation announced federal funding of $48 million, matched by the province, over two years under Canada's Economic Action Plan for another $128 million in affordable housing funding.[19]

The 2009-2010 Business Plan for the HDC indicates that among its three priorities, it will be administering and making "loans available to the commercial child care sector for infrastructure improvements." The Alternative Budget questions the why the HDC, a Crown Corporation responsible for housing, is administering loans to the commercial child care sector, as the Housing Development Corporation Act, does not acknowledge such loans as being part of the corporation's stated "objects".[20]

We acknowledge that the current NDP government is taking steps towards the effective administration of affordable housing in Nova Scotia, with the appointment of a Ministerial Assistant to focus on housing, however we need a provincial housing strategy which clearly establishes targets and timelines for affordable and appropriate housing in rural and urban parts of the province. This strategy must also include a comprehensive support strategy for individuals at risk for homelessness, seniors, and those with work-limiting barriers.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Conducts a transparent audit of the HDC, and makes the results of that audit available to the public
- Leverages the existing resources and mandate of the Housing Development Corporation to be not only an executor of federal housing funds, but also a resource and support centre for community groups who compete with the private sector for those funds
- Reviews the Housing Development Corporation's stated priority of administering loans to commercial childcare sector

Income Assistance

The NSAB encourages the government to use the current Employment Support Income Assistance (ESIA) review process to develop evidence-based policy which is both socially just and fiscally responsible. We support ESIA programs

which will significantly reduce poverty for individuals and families.

In April 2009, the former Conservative government released its *Poverty Reduction Strategy* which recognized the need for action on poverty. It outlined four overarching goals for a long-term strategy to alleviate, reduce and prevent poverty. However there are numerous gaps and issues which are not addressed in this strategy and no targets or timelines are set for implementation.[23]

There is growing urgency for a more concrete, comprehensive, and government wide plan to address poverty in Nova Scotia.

The provision of Income Assistance is governed by policies and practices which accept and promote a sub-standard quality of life. Recently the government increased the personal allowance portion of welfare benefits in accordance with the Consumer Price Index and is committed to continue this practice. This CPI indexing, however, does not make up for past reductions in welfare benefits and was not applied to the food and shelter allowance or to other allowances such as child-care and transportation.

Currently, there is no allowance for a basic telephone service in the budget deficit model used by the Department of Community Services. A telephone has long been a necessity in Canada. It is necessary to meet stricter regulations requiring recipients to look for work but it is also needed in the event of an emergency. While many welfare recipients do have a telephone because they cannot manage without, the cost often comes out of the food or shelter budgets.

Acknowledging that the government is in the process of an ESIA review that hopefully will produce a broad strategy to address the full range of poverty creation — including literacy levels, inadequate housing and early learning and child care supports, inadequate food allowances and telephone supports.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Apply CPI indexing yearly to all income assistance benefits
- Include a basic phone service allowance for all NS households in receipt of ESIA benefits — $7.2 million in new spending
- Give an immediate 10% increase for all recipients of ESIA "single employable" benefits — $5 million in new spending

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

- Bring benefits up to 100% of the low income cut-off or the MBM for people with disabilities who cannot work and for parents with dependent children.
- Increase benefits for single recipients or couples without dependent children to ensure that no welfare recipient falls below 70% of the MBM.
- Develop more programs for all low income Nova Scotians outside of the welfare system so they apply to those transitioning off welfare and to the working poor (e.g., Dental and Pharmacare programs)

Community Health Centres

The NSAB supports the creation of autonomous, not-for-profit and democratically controlled community health centres whose purpose is to act as a community health resource centre, to assist communities respond to emergencies and to provide health services to community residents.

A community health centre is an autonomous, not-for-profit, democratically controlled health facility whose purpose is to act as a community resource to assist communities, community residents and other possible users achieve and maintain health.

Its distinguishing features seem to be the following:

- It is operated and democratically controlled by a non-profit community organization.
- It is oriented o serving and working with an identifiable local community or neighbourhood whose residents have a sense of belonging.
- It focuses on community well-being and provides appropriate services as defined by the community.
- It provides a wide range of primary health services with a particular emphasis on prevention, health promotion, health education, advocacy and community development, prenatal care, well baby/child care, diabetes program, community nutrition, social work/advocate, nurse practitioners, mental health, and addiction prevention and treatment services.
- It uses multidisciplinary services in the delivery of services
- All staff including doctors are paid by salary, not fee-for-service
- It improves accessibility to health services for the community or neighbourhood it serves.

Community health centres in Nova Scotia include the Hants Shore Community Health Centre, the Havre Boucher and District Community Health Centre, the Dr. W.B. Kingston Memorial Centre, the Eskasoni Community Health Centre, the North

Queens Medical Centre Association, the Hants North Medical Association, the Bear River and Area Community Health Centre, the Rawdon Hills Health Centre, the Barrington Community Health Centre, and the Eastern Kings Memorial Community Health Centre.

There is no legislative framework of funding mechanism for community health centres in Nova Scotia.

Only a few of them have continuous funding. After January 1, 2001, when the *Health Authorities Act* took effect, those with regular funding have had to deal with the relevant District Health Authority rather than directly with the Department of Health for funding. The other community health centres have relied on fee-for-service income, occasional grants and extensive volunteer efforts to be able to operate.

For 2010-2011 and over the next 3-5 years, the NSAB recommends that the Provincial Government:

- Establishes a CHC Development Group in the Department of Health to help establish a number of new community health centres each year — $300,000 per year in new spending
- Supports existing community health centres. In recognition of the importance of community health centres, funding will be provided directly by the Department of Health and no longer by District Health Authorities — $10 million per year in new spending
- Supports new community health centres to become established through the Department of Health — $10 million per year in new spending.
- Supports the continued operation of the Federation of Community Health Centres of Nova Scotia as the umbrella organization for CHCs in the province — $300,000 per year in new spending

Pharmacare

The NSAB encourages the government to expand the role of publically-funded pharmacare in a way which increases access to necessary prescriptions.

We believe a national, universal pharmacare program is long overdue as outlined by the Canadian Health Coalition in their 2006 research paper, *More for Less*. However, it is not feasible for the provincial government to create this kind of program because of our small population and lack of financial resources. The Federal government must take a major role in creating pharmacare in Canada.

Nova Scotia should work with other Atlantic provinces, and potentially the rest of Canada, to implement a bulk-purchasing plan for pharmaceuticals. A similar program is already being developed by the Western Provinces[25] and was done successfully by the New Zealand government, resulting in decreases in costs of up to 90% for some drugs.[26]

Nova Scotia currently has 5 different public pharmacare programs which operate under different departmental jurisdictions.[27] These programs are:

1. Drug assistance for cancer patients

2. Department of Community Services — Pharmacare benefits

3. Diabetes assistance program

4. Family Pharmacare program

5. Senior Pharmacare program

Instead of creating a full pharmacare program in this budget, the APB recommends improving the existing patchwork of programs that currently exist and moving forward with a bulk-purchasing program, which takes advantage of the lower costs offered by generic drugs. Buying generic drugs, through bulk purchasing program will result in significant cost savings for the provincial government.

While we estimate costs for the improvements to be at about $25 million a year, it will result in cost savings due to purchasing practices and less administrative work.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Merges the administration of the 5 currently offered Pharmacare plans and place them under the jurisdiction of the Department of Health
- Invests $25 million per year to reduce or move toward eliminating co-pays and deductibles from the pharmacare plans, starting with the Family Pharmacare program
- Develops a clear, democratic process for adding and removing drugs from the provincial formulary, free of the taint of self-interested bodies under the direction of a broad, based provincial foumulary that includes lay person as well as health professional representatives.
- Purchases generic drugs where available and where the therapeutic benefit of a brand name drug is negligible compared to the generic

- Set aside a reserve fund for expensive drugs required by rare and unusual diseases, until a universal public pharmacare program is developed, the province should

Over the next 3-5 years, the NSAB recommends:

- Working with other provinces and territories to push for a federal, legislated commitment to dedicated funding under a set cost-sharing formula and creating a national, universal, pharmacare program.
- Considering legislation for the price of generic drugs relative to the cost of their brand-name equivalents similar to what is being proposed in Ontario and Alberta.

Cost-Cutting Tips for Health Care

It is important to note that, contrary to private interest claims, health care spending in Canada is not out of control. In fact, health care spending has been relatively stable as a percentage of GDP[28]. The main issue is that government budgets have been shrinking as a percentage of GDP because of corporate and high income tax cuts. As a result, it appears that health care spending is eating up large portions of our public finances, but the reality is that corporations and high income individuals are not paying their fair share. The biggest increases to the health care system have been technological and pharmaceutical. The provincial government does not take steps to rein in the ever increasing desire of pharmaceutical companies to increase their profits for their shareholders. We pay vast sums of money to private operators to develop improvements to our health care systems, that should be done by non-profit and public organizations (telehealth to McKesson) We develop information technology systems that are incompatible between the Capital District Health Authority and the other district health authorities, and between the systems being developed for private primary care physicians: Auditor General Report February 2010.

The following are suggestions to cut costs in Health Care, while making the system efficient:

1. **Let All Health Providers Operate to their Full Scope of Practice with Increased Financial Recognition of their Expanded Skills —** Ensure Nurse Practitioners, Licensed Practical Nurses, Dental Hygienists, Midwives are fully integrated into the existing public health system.
2. **Stop Giving Public Money to Private Operators —** Health Care services provided by private, for-profit operators like Scotia Surgery clinic and McKesson Canada for the Telehealth service can be run in a more cost-effective manner if they are in public hands.
3. **Stacking Procedures —** Stacking means that the results of the first tests are read immediately while the patient stays in a waiting room. If further tests are required they are done immediately. This cuts costs on administration, reduces wait times, and helps patients manage stress levels much better.[29]
4. **Eliminate Fee for Service and Negotiate Alternative Funding Proposals with Physicians —** We should move towards salary-based funding for physicians. Nova Scotia already leads the country on this issue — over 30% of our physicians are on alternative payment programs. We can show true leadership and vision by eliminating fee-for-service.
5. **Create and Implement a Provincial Mental Health Strategy** that focuses on housing, income security, access to services, and consumer involvement. Addressing mental health issues in early stages cuts costs by reducing the number of interventions and advanced procedures required later.[31]
6. **Re-Establish the Provincial Health Council —** to advise the Minister of Health and Health Promotion on best practices and the best ways to co-ordinate and deliver health care in Nova Scotia, as stated in Section 5 of the *Health Council Act* "...in the development of a comprehensive health policy, comprising health goals and objectives and in setting the overall direction of the health care system in the Province".
7. **Review the Governance Structure of the District Health Authorities —** Noting that we have 9 DHAs plus a separate structure for the IWK for a population of less than 1 million. The City of Toronto provides care for over 1 million people with just one health authority.[32] The goal of the review should be to maximize efficiency while increase local decision making.

Early Learning and Child Care

The NSAB rejects the practice of investing public money in the private, for-profit childcare sector and encourages the government to transition the mandate of early learning and child care away from the Department of Community Services and into the Department of Education over the next 4 years.

In 2010, Nova Scotia children and their families should expect a publicly funded and delivered early childhood education and child care system, managed and operated by local governments and education authorities, the institutions which are "closest" to Canadian citizens. We should use the public education facilities already existing across the Province. In some cases, these facilities are vastly under-utilized. It would be an excellent use of existing public resources to provide a new public good. It would keep existing schools operational across the Province through the calendar year, not just for the "school year" with the consequent benefits to local communities with full and effective use of the existing physical structures.

The Alternative Budget recommends the phased-in introduction of full day seamless early learning and child care for four and five year olds in Nova Scotia. This would begin to meet the needs of both children and their parents. This program would be co-ordinated through the Department of Education and the school boards of the Province, with the eventual transfer of all early learning and child care from the Department of Community Services "welfare model" approach.

The phase-in is to allow the education of additional trained early childhood educators, and renovations to existing public stock and child care spaces. The phase-in should be completed over a period of four years to provide for a legacy for the Government that introduces it, and to provide the reality for parents who have lived with broken promises about childcare before.

A "before and after" school and summer program would also be provided at the pubic sites with parents paying a reasonable fee for such a service, with recognition of the need for waiver of fees for parents unable to afford it. We would significantly relieve the costs for parents of four year olds by offering learning and care through the public school system. The before and after school program would also be available to other children in the elementary school system to provide a seamless system of care for children up to twelve years old.

While we are not able to implement this system immediately, we can create the frame to support a structure for the future. The Provincial Government needs to take a planned and strategic approach to creating a system from the current patchwork of private options. This system would be a legacy for any Government which chose to implement it. This phased-in approach allows the same amount of money to be spent year by year as we transition to a new publicly funded and delivered early learning and child care system.

We can begin with the "Pre-Primary" Program which was so welcomed by the parents of the 19 test sites and extended for a third year.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Introduces a phased-in pre-primary learning and child care system in 19 existing Pre-primary sites in September 2010 — $2,375,000 in new spending
- Parallels introduction of before and after school and summer programs, also available to other school age children

Over the next 3-5 years, the NSAB recommends

- The creation of publicly funded and publicly delivered family centres, with coordination with existing private, non-profit centres for children under four years old
- Phasing in pre-primary for September 2011, 2012 and 2013 with selection of areas and public spaces through demographic and best evidence selection, with parallel introduction of before and after school and summer programs, also available to other school age children

Public Schools

The NSAB recommends that the Department of Education follow the Auditor General's recommendations around P3 school contracts, and to restructure how Special Education programs are administered throughout the province.

P3 Schools — Dealing with a bad investment

The NSAB recommends that the Department of Education accepts and adopts the Auditor General's 21 recommendations about dealing with these contracts. Further, we call on the Provincial Government to finally and clearly state that it WILL NOT enter into any "public private partnerships" during its term of Government, regardless of the "inducements" offered by the Federal Government. In particular, this Government needs to clearly state that it will not enter into a "P3" with respect to any proposed convention centres in the Province or Halifax in particular. We need strong public stewardship of our province's finances. This is lost when the finances are hi-jacked by private profit seeking facilities.

Supporting Students with Special Needs

Schools boards are responsible for providing and administering the programs and services in local communities. Every year, schools have to reapply for special education funding which is determined using funding formulas which assume that all students with special needs require the same number of resources for the delivery of their education.

The resources available for teachers and Educational Assistants vary by school board. While the Halifax Regional School Board has many services and initiatives available, such as an Autism Response Team and Resource Library, this is not the case for other school boards in the province. Ultimately, the programs and services available in any given region come down to school board governance and priorities.

The Department of Education needs to do more to make special education equitable and accessible for all of its students by coordinating all special needs services under a single program. At the provincial level, special needs policy development needs to be removed from the purview of Student Services and given its own budget in the Public Schools program for the provincial development and administration of services.

Further, the province should take a greater role in administering those services by expanding the mandate of APSEA to include all special needs, or by setting 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 creation of this Special Needs initiative, we recommend an initial investment of $2 million, for administrative set-up costs and the creation of a province-wide Special Needs Lending and Resource Library which purchases special needs equipment, technology and tools for use in classrooms across the province. Annual funding after set-up could be based on the existing proportion of funding which is used to service special needs students. A figure which, based on the information publically available, has never been calculated.

To ensure that local school boards are using special needs funding appropriately, and for the promotion of representative equity, the APB also recommends that a $100,000 per year be used to create and maintain an elected position on all 8 local school boards to be the Special Needs Representative.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Follows the Auditor General's recommendations on P3 contracts
- Establishes a provincially administered Special Needs Services program — $2 million in new spending and redirection of existing funds from Student Services
- Creates positions for Special Needs Representatives on all 8 local school boards — $100,000 in new spending

Over the next 3-5 years, the NSAB recommends:

- The government conducts a thorough review of the P-3 school contracts, and investigates the feasibility of getting out of these contracts as they come up for renegotiation starting in 2014

Post-Secondary Education and Training

The NSAB supports investments in post-secondary education that increases access to education, and alleviates poverty for students during their study period and after their graduation.

Universities

The most effective way to reduce student debt is to reduce tuition fees and provide needs-based grants to students. Grants reduce up-front costs, student debt and improve access for low- and middle-income Nova Scotians. By reducing the up-front financial barriers the government saves money on back-end debt reduction programs and tax credits, as fewer students would need to use these programs.

Grants are a more effective use of funds than loans or loan remission. For every three dollars the provincial government distributes in loans, it pays one dollar to administer and maintain the loans. That money would be better spent on actually reducing student debt.

Overall student assistance has focused on several ineffective, back-end measures. Introduced in 2005, the Nova Scotia Graduate Tax Credit is a $2, 000 non-refundable, non-transferable tax credit for graduates who remain in the province who graduated from an eligible postsecondary program on or after January 1, 2006.

Tax credits have consistently been proven ineffective in reducing student debt. Since many graduates do not pay taxes until years after graduation, there is little to no benefit for them, and the students with the highest debt loads are also the least likely to benefit, as students with higher incomes benefit more substantially than lower income graduates. Graduates are not enticed to give up an additional $10,000 in annual salary in order to get the $1,000 or $2,000 non-refundable, non-transferable tax credit. According to the MPHEC the tax credit "appears to offer little motivation for students to live [in Nova Scotia]" with just 1% of graduates surveyed citing it as a main reason for seeking employment in the region.[34]

Similar tax credits have been under-utilised. A recent freedom of information request filed in Manitoba revealed that, since

2007, the province has paid out less than one third of the amount budgeted under its program. In the September 2009 budget, the provincial government allocated $14 million to the tax credit program which could reduce tuition fees across the board by $350 or nearly triple the province's need-based grants program.[36]

Nova Scotia Community College

During a 2008 presentation to the Nova Scotia legislature's standing committee on human resources NSCC Joan MacArthur-Blair advocated for the elimination of tuition fees at both the community college and university level. Then MLA, and current Minister of Education, Marilyn More called the idea "very important plank in the poverty reduction strategy for this province" and estimated that eliminating tuition fees at the NSCC would cost the province $13 million to $20 million a year over a few years.[42]

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

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

For 2010-2011, the NSAB recommends that the Provincial Government:

- Invests an additional $18 million to complement the Nova Scotia Bursary Trust fund and allow for a $1,100 tuition fee reduction for all Nova Scotia University students
- Re-direct $14 million from the Graduate Tax Credit to upfront needs based grants and to increase the grant portion of every provincial student loan from 20% to 50%
- Removes tuition fees from all NSCC courses — $18,000,000

Over the next 3-5 years, the NSAB recommends:

- Increase funding to universities to maintain the NSAB's recommended tuition fee reductions for all students when the Bursary Trust fund expires.

Transit Nova Scotia

The NSAB recommends the creation of a new crown corporation responsible for the development and administration of a sustainable, mixed use public transportation system which connects rural Nova Scotia to the booming Halifax economy.

Transportation between rural and urban Nova Scotia will be key to economic success and revitalizing the rural economy and connecting it to the vibrant Halifax economy. Currently, public transit in Nova Scotia takes just one form, bus transportation. While Via Rail still operates a line out of Halifax to Montreal, there is no passenger rail service connecting other Nova Scotian communities.

There is a wonderful model for Nova Scotia to explore as a solution to our transit woes. The Saskatchewan Transit Company was created in 1946 by the Tommy Douglas government. Today, the STC operates 29 bus routes, owns a fleet of 44 motor coaches and services 283 communities throughout Saskatchewan.[44] It is also a provincial crown corporation, which removes the need to create profit so that the company may simply focus on providing affordable, sustainable transportation for the public. We do note however that while the population of the two provinces is similar, the distances to be travelled are much shorter, resulting in lower fuel costs and reduced time for traveling. For example, the busiest route in Saskatchewan is the Prince Albert-Saskatoon-Regina route which covers about 400 kms. The busiest route in Nova Scotia would likely be the Halifax-Windsor or Halifax-Truro line, which each cover about 100 kms. Saskatchewan offers an annual subsidy of $7 million which represents just over 25% of expenses for the STC.[45]

Transit Nova Scotia (TNS) would have an initial mandate to provide inter-community bus transportation but this mandate could be expanded in the future to include ferry and rail transportation. Similar to what happened when Nova Scotia Power was created; the provincial 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) for a total operating budget of $2.521 million in 2008.[46] Kings Transit Authority subsidies each route by about 60%. The cost for operating a provincial system would likely go down because of economies of scale and the introduction of higher traffic routes to the urban centres. But based on these numbers and with a look to operating about 20 different routes the total budget for TN would be just above $10 million. At a provincial subsidy rate of 60% this would cost the province about $6 million per year.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Provides an initial investment to finance the creation of a provincial transit corporation, Transit Nova Scotia — $20 million in new spending

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

- An annual subsidy of 25% to 60% of total operating costs — estimated at about $6 million until the service becomes established
- That the government determines the feasibility of establishing a high-speed provincial rail line

Public Auto Insurance

The NSAB recommends the creation of a Public Insurance Corporation.

The Nova Scotia NDP promised to bring in a public auto insurance corporation in the 2003 and 2006 elections. This promise was notably absent in 2009.[47] However, the need for public ownership in the insurance industry is very important to help control costs and stop consumers from being gouged.[48]

The required investment is a difficult number to quantify. A committee of MLA's in New Brunswick estimated start up costs for a public auto insurance system in that province to be $82 million[49]. However, in 1971 it only cost the Manitoba government $375,000 to create their public auto insurance program[50] (about $2.2 million in today's dollars). The NDP in Nova Scotia suggested in 2003 that setting up a public auto insurance company would cost the public treasury nothing as premiums would cover the expenses almost immediately.[51] Our figure of $15 million is designed to provide for the upfront costs of setting up the public auto insurance corporation with the expectation that premiums will quickly cover all expenses as is the case in other provinces with such insurance programs.

For 2010-2011, the NSAB recommends that the Provincial Government:

- Provides a one time investment of $15 million for initial capitalization to create a Public Insurance Corporation.

Workers Co-operatives: More than a safe investment

The NSAB recommends the creation of a Workers Co-operative Corporation.

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

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

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

To re-build the Nova Scotian economy, we cannot rely on tactics used in the last 25 years — investing in call centres simply didn't work. Investing in call centres failed rural economies because as soon as the call centres subsidy runs out, they leave the province.[52]

Instead of trying to attract international corporations who don't care about the communities they operate in, we should invest in our people and in jobs that we know will stay in the province.

The best way to do this is invest in workers' cooperatives. This combines economic democracy with economic growth. It ensures local control of business and helps to get Nova Scotians back to work.[53]

For 2010-2011, the NSAB recommends that the Provincial Government:

- Creates a new crown corporation designed to assist workers' cooperatives with an initial capitalization of $15 million in 2010 and $10 million in each subsequent year — i.e. use half of what Nova Scotia Business Inc receives in provincial funding.[54]

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