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Finding a New Balance: Building Capacity for Nova Scotia's Future

CCPA
CANADIAN CENTRE for POLICY ALTERNATIVES
CENTRE CANADIEN de POLITIQUES ALTERNATIVES
NOVA SCOTIA OFFICE

The Nova Scotia Alternative Budget

By CCPA Nova Scotia

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Overview of the Nova Scotia Alternative Budget

Summary

The Nova Scotia office of the Canadian Centre for Policy Alternatives (CCPA-NS) was founded in 1999 to promote policies that are environmentally sustainable, and socially and economically just. We produce in-depth research papers on a variety of issues. Since 2000, the CCPA-NS has stimulated the dialogue on Nova Scotia's economy through its 'alternative budget' document, a tool to assess the fiscal situation and the choices available to governments in Nova Scotia. Provincial budgets, like all public policy, are about choices and values. Through the budget, our governments make important choices that have serious implications for the everyday lives of Nova Scotians, now and in the future.

The 2010 Nova Scotia Alternative Budget challenges the assumption that we are in a fiscal "crisis." The real crisis is a ballooning social deficit, which began during the recession of the 1990s. The 1990s were very costly for Nova Scotian citizens. Balancing the books of the federal and provincial governments resulted in a rising social deficit.

Despite surpluses in the 2000s, we are still paying the price of more than a decade of cutting and under-funding programs. These cuts left the social safety net with gaping holes and undermined the well-being of many in our communities.

We are concerned with the current government's fixation on the deficit, remembering history and governments' tendency to use deficits as an excuse to cut programs, jobs, salaries and services. Will the NDP as government recognize the long-term implications of public sector under-investment and service cuts that include a less vibrant economy and increased poverty, as it did when it was the opposition?

The Finance Minister is sceptical of the actual returns we get from social investments. However, he fails to express this same scepticism toward risky business investments and public-private partnerships. This contradiction suggests that, while the government is willing to invest taxpayer money in risky business ventures, it is much less willing to take the risk of investing money in new initiatives in health care, education, and communities.

Sources of Revenue:

Economic Growth	$80 million
Corporate Tax Expenditures	$44 million
Reform Personal Income Tax Rates	$399 million
Subtotal	**$523 million**

2010-2011 Strategic Investments (New Spending):

Drinking Water	$1 million
Local Food Production	$1 million
Employment Support	
Income Assistance	$12.2 million
Community Health Centres	$20.6 million
Pharmacare Program	$25 million
Early Learning	$2.4 million
Public Schools	$2.1 million
Post-Secondary	$36 million
Transit Nova Scotia Corporation	$20 million
Public Insurance Corporation	$15 million
Worker's Co-operative Corporation	$15 million
Subtotal	**$150.3 million**

This Alternate Budget proposes program enhancements with an estimated cost of $150 million. We are fully aware of the annual deficits predicted by the Finance Minister based on 2009-2010 Nova Scotia budget data. In our view the data both over-estimate costs and under-estimate revenues. **We agree that deficits must be reduced, but by increasing personal income tax rates and reducing corporate tax write-offs, not by increasing the provincial sales tax.**

This alternative budget generates a net surplus which totals $372.7 million while addressing the social deficits with new investments. This surplus from our recommendations would therefore reduce the province's anticipated deficit. We would not try to balance the budget sooner than the 2013 budget.

This government can do its part in creating a bold new vision for Nova Scotia if it is willing to redefine what progress and development mean for the province. This requires a shift from framing progress around financial profit. The government must acknowledge that our economy can only be prosperous if we reinvest in communities and the people who create and power them. In the words of participants in the discussions with the Premier's Economic Advisory Panel, this new Government needs to "articulate a vision and to promote 'transformational change'—incremental change will not do."

Economic Context: What can we afford?

When the Finance Minister toured the province, his "Back to Balance" Guide and the ensuing discussions framed the question around increasing revenues and reducing spending. They asked about changes to programs and services. They asked about economic investments for long term growth. They asked when Nova Scotia finances should be "back to balance".

We have already written that the last fiscal crisis of the 1990s resulted in massive reductions in public spending — so much so that Nova Scotia had among the lowest program spending per GDP of all the provinces. When the federal and provincial governments returned to surplus budgets in the last decade, tax cuts were accelerated and structural social spending languished. Government revenues were simply lowered.

A Statistics Canada report[1] shows the shortfall in revenues across the country was mostly due to corporate and personal income tax cuts and a policy of high interest rates, not from social spending. When the federal government had surpluses in the late 1990s, it again cut taxes, by about $20 billion a year on capital gains alone. Each tax "reform" meant lower taxes on the people with the highest incomes!

In the midst of this new recession, provincial economic growth has slowed. Government tax revenue has fallen while expenditures (like social services) have risen. The government has gone from surplus to deficit. This is inevitable in the economic cycle. In the recession in 1990-91, Nova Scotia economic growth faltered and even fell for a year, bringing about government deficits. But the economy recovered, long-term growth resumed, and surpluses replaced deficits. Recessions come and recessions go, but this government acts like this one is permanent. It insists that drastic measures need to be taken. But there is a great danger in doing that. The government's own 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."[2]

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, in real Gross Domestic Product per capita, the province of Nova Scotia has become more than 60% RICHER. 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.[3]

Taxes are the price we pay for a civilized society, that 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 encouraging unproductive efforts to avoid the tax, although some taxes, such as those on cigarettes, are intended to change behaviour. 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 live in a progressive country, and that includes our tax system. After all, we have income tax brackets so that as an income rises, an individual moves into a higher tax bracket, paying a higher rate of tax on extra income. However, because our tax system also relies on regressive sales and property taxes, and because there are income tax loopholes accessible to the wealthy, 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

Nova Scotia's Two Economies

In assessing the province's economic performance, we must be aware that Nova Scotia is, in effect, two economies — one doing quite well and the other encountering great difficulty — and we must tailor our approach accordingly.

The Halifax Regional Municipality has been outperforming most of Canada. According to CIBC, Halifax stood first among twenty-five Canadian cities in economic performance at the height of the recession. Says CIBC Senior Economist Benjamin Tal, "The nation's leading ranking of Halifax … reflect[s] its relatively diversified sources of economic growth and reduced vulnerability to economic shocks."[4a] Unemployment, at 5.2 percent, is lower than the country (8.5 percent) and the province (9.6 percent.)

Nova Scotia outside HRM is a different story and presents a serious dilemma, especially for the NDP. It was because of rural Nova Scotia that the NDP moved from an opposition party to a majority government. With both heavy and light industry abandoning the countryside and small cities in recent years, major employers outside HRM are now the schools, universities and health care institutions. Any move to downsize those public institutions will create even more misery and cost the government dearly. Any move away from key infrastructure support will make the urban-rural divide worse. Rural Nova Scotians did not elect the NDP to balance the budget on their backs.

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. The people who benefited most from that growth and from those policy decisions to provide tax cuts to the wealthiest among us should pay their fair share, and this can be accomplished 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

Summary box:

Growing the Economy	$80,000,000
Corporate Tax Expenditures	$44,000,000
Personal Income Tax	$399,000,000

In 2008, the federal government dropped the federal sales tax by 2 percentage points. Some have talked, in this difficult economy, about Nova Scotia moving into the tax room abandoned by the feds, by raising our provincial sales tax by two percentage points. But the NSAB rejects this idea. Our proposals would raise the same amount of revenue, but without the regressive implications of a consumption tax on those least able to afford it, and without the complication of creating "tax exemptions" for the poorest Nova Scotian citizens. We would not change taxes for the bottom 40 % of Nova Scotians. We do propose to raise income tax for the middle strata of Nova Scotian taxpayers by an amount equivalent

A Matter of Considerable Interest

A major expense to the Province is interest paid on the significant debt of 11.8 billion (as of March 31, 2009) assumed by previous Governments. However the 2010 fiscal year will see almost $ 1 billion in bonds mature and either be paid off from the reserve funds or re-financed at significantly lower interest rates, either of which will reduce debt servicing costs.

We are sceptical that debt servicing costs will increase over the next few years, beyond the recognition that annual deficits will need to be funded.

Moreover, the Provincial Government also has the option, under the Bank of Canada Act, of selling bonds to the Bank of Canada. If we were to re-finance maturing debt at the same rate that the profitable big banks borrow from the Bank of Canada, we could lower the interest costs on the refinanced bonds and cut our debt servicing costs by about $30 million.[s2]

We estimate that net effect of servicing the government debt will actually result in a 17 million dollar reduction for 2010-2011

to what they might have paid in a 2 percentage point HST increase. We would concentrate the increase in income taxes on the top 40 percent of Nova Scotian taxpayers and in particular the top 10 percent. These persons have benefited the most from the policy of "income tax cuts" and have been least affected by the policy of cuts to social spending. Our proposals make the tax system more equitable and still raise the funds the provincial government needs.

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[4b] 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.

Though it is unfortunate that 51% of possible profits will return to a Korean Based transnational corporation instead of to Nova Scotians, 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 Company A owes Company B a hundred million dollars, and Company B forgives that debt, accounting rules require Company B has 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, and this has exactly the same effect as 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.

For example, in the February 18, 2010 issue of *The Coast,* editorialist Bruce Wark wrote:

> "On April Fool's Day 2009, Rodney MacDonald handed Lockheed Martin up to $1.8 million in payroll tax rebates. In return, the company, which enjoyed … net earnings of $3 billion last year, promised to create 100 jobs over five years. But why did we need to bribe Lockheed Martin with Nova Scotia taxpayer's money when the company is already working here on $2 billion worth of federal government contracts to upgrade 12 Canadian naval frigates? …[W]hy does the world's largest military contractor need corporate welfare handouts from the debt-ridden Nova Scotia government?"

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.

If the tax expenditures were transparent, we could ask questions such as:

- Why should a large, stable, profitable company like Lockheed Martin get a tax break not accessible to a small, struggling startup with a lot of promise?
- Is it even necessary to give companies like Lockheed Martin such subsidies?
- What kinds of compliance requirements are built into these subsidies? For example, if, to obtain the subsidy, a company promises to employ 50 people and then it employs only 25,is there a penalty? And what if the company decides to lay Nova Scotians off or to shut down and move away entirely; is it required to pay back the subsidy?
- Studies show that we get more "bang for the buck" when we invest in local business[5], not companies "from away."

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 situation warrants.

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 parts 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[6], 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 for 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[7]. As he toured the province with his Back to 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.

In 2008,, the federal government dropped the federal sales tax by two percentage points. The provincial government has been talking about claiming that abandoned tax room 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[8]. 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:*

FIGURE 1 **Tax Rates by Type of Tax, 2005**

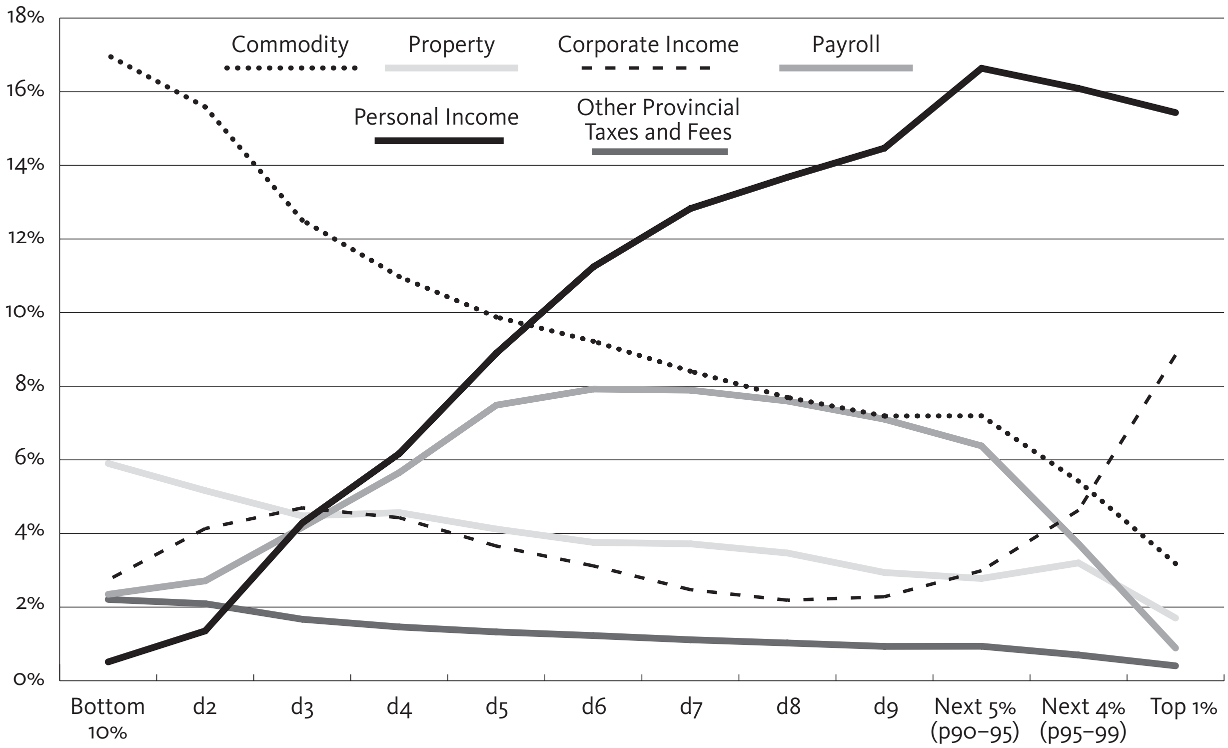


TABLE 1 **Income Ranges in 2005$ and 2010$**

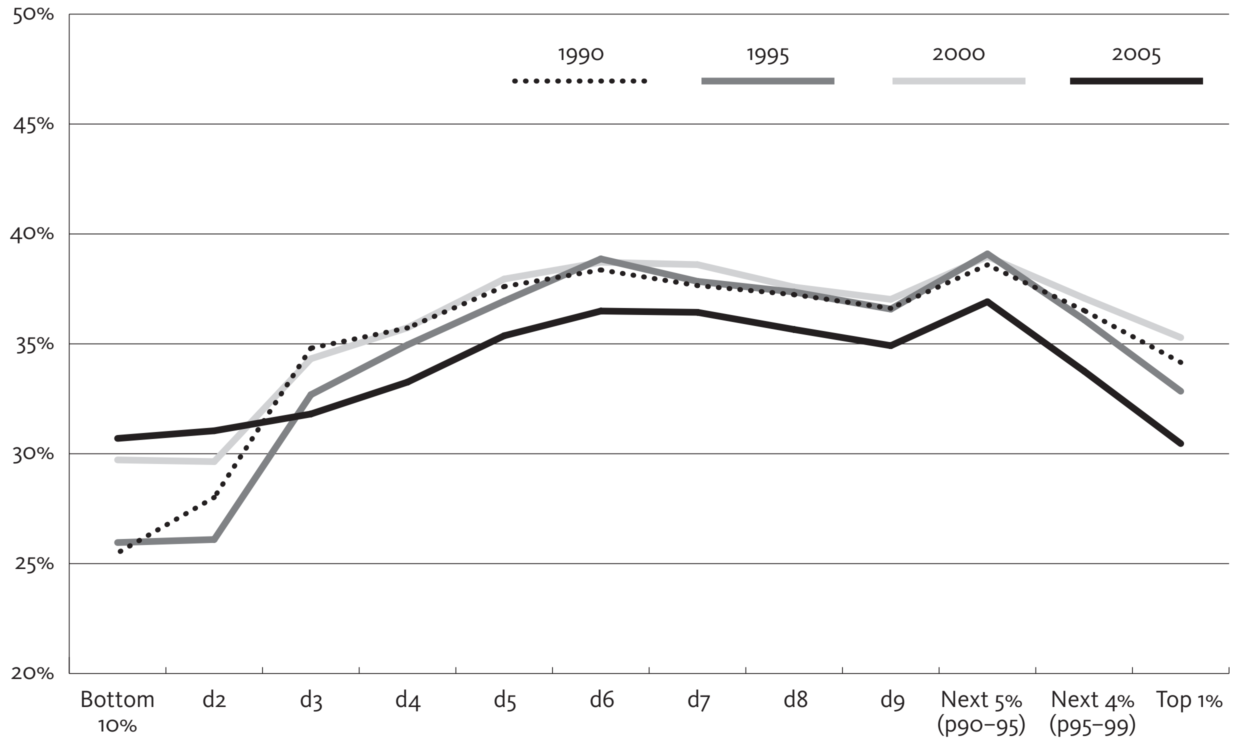
Income group	Income range 2005	Equivalent in 2010$
D1	$1 – 13,522	$1.09 – 14,780
D2	$13,523 – 19,007	$14,781 – 20,776
D3	$19,008 – 26,760	$20,777 – 29,250
D4	$26,761 – 35,667	$29,251 – 38,986
D5	$35,668 – 45,528	$38,987 – 49,765
D6	$45,529 – 57,459	$49,766 – 62,807
D7	$57,460 – 72,299	$62, 808 – 79,028
D8	$72,300 – 90,560	$79,029 – 98,988
D9	$90,561 – 120,392	$98,989 – 131,597
P90-95	$120,393 – 151,545	$131,598 – 165,649
P95-99	$151,546 – 265,791	$165,650 – 290,627
P99-100	$265,792 – Max	$290,628 – Max

"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. Figure 1 was prepared by Marc Lee of the Canadian Centre for Policy Alternatives[9].

It combines all of the levels of government across the country and shows the progressivity

FIGURE 2 **Total tax rates, various years**



or regressivity of various taxes. Lee first divides the population into ten equal-sized groups (or "deciles," hence D2, D3…) from the 10% who make the lowest incomes to the next 10% and the next, etc. He divides the top 10% into three groups: the next 5%, then the next 4% and finally the very top 1% of the population, who make the highest incomes. For each of these groups, he plots the proportion of their income that they pay for each type of tax. To get an idea of what people make in each group, the following table shows the income range in 2005 and 2010 dollars.

Lee's chart shows that the *only* tax that is almost consistently progressive is the personal income tax. Bottom decile people pay little or no income tax. Each successive group pays a higher rate up to a maximum of about 17%.

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 than the poor on commodities 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. In Figure 2, 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(see above.) We believe this trend must stop.

Note, also, that 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?[10]" 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 –** This tax encompasses a two-pronged approach: increased registration fees for 2010 and later passenger vehicles with an average fuel consumption rate of more then 8 litres per 100 kilometres; and an increase in the automotive fuel tax. These measures will encourage decreased fuel consumption and generate funds that will be dedicated to supporting 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.16 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. The Toronto sky dome was built at a budget of $600 million — $300 million of public money as part of the P3 — and in 2004 it was sold for $25 million. This is a terrific waste of public funds. Spending on convention centres makes little sense when we consider how a similar amount of money could have a real economic multiplier if

spent on affordable housing or other small urban renewal projects.[11]

3. **Pop-Up Tax** – Sometimes governments tax products which are harmful to health, like tobacco. In 2010, we urge the government to consider the creation of a pop-up tax. Numerous studies correlate soft drinks with poor diet, obesity and diabetes risk, more than with any other category of food.[12] This is particularly true for children. Chronic diseases related to poor diet pose a significant strain on our health care system and can result in significant complications. 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.[13] Reducing the speed limit will both 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 in order to conduct Environmental Assessments.

6. **Extracting More Revenue from our Natural Resources** – Currently the Nova Scotia Government only collects $7.7 million in revenues from the extraction and royalties of natural resources like minerals, coal and lumber. In 2006, the companies sold our minerals for $270,300,000,[14a] yet we only collected $65,000 from mineral "rentals" and $250,000 for exploration claims. [14b] Mineral extraction disrupts human communities and wildlife habitat. Companies using our 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** – Currently the government delegates its economic negotiations to a myriad of non-profit boards and organizations which run the public and quasi public services government funds. While we agree that workplace issues need to be negotiated locally, it makes sense to move to a higher level, coordinated provincial negotiations for wages, benefits and pensions for example. 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.

Repairing the Nets and Building Capacity

Despite the surpluses Nova Scotia enjoyed in the 2000's, our social safety nets has been left with gaping holes that have undermined the well-being of many in our communities and reduced our capacity to address increasingly complex social issues. We propose $150 million in new social spending, a strategy which may seem generous to some, but which is informed by an understanding of global, national and local research that has quantified and estimated the true costs of poverty, poor health and disorganized communities.

The investments laid out in this section of the budget are organized based on basic need, starting with access to fresh water and building all the way up to sustainable transportation. These areas are the building blocks of capacity.

To this end, **the NSAB recommends that the government maintain its current levels of funding and scheduled budget increases to all departments which directly provide services to Nova Scotians in their communities.**

NSAB does recognize the need for reform and review of some Government departments, programs and services. The government should identify its core programs and services and objectively evaluate them using full cost Genuine Progress Index[15] accounting. Front line workers should be consulted for the myriad ways they see to change their work and services. . Evaluations should be about affordability as much as they should be about appropriateness, considering outreach, delivery and effectiveness. All of Nova Scotia's programs and services should be guided by a fluid, integrative and focused provincial strategy which is relevant and beneficial to the actual functioning of our communities and our citizens, rather than trying to "pick winners" among private interests and enterprises.

The most crucial functions of government are to provide Nova Scotians with quality programmes in health, education and social services to help us realize our full potential, as individuals and communities. The government should not spend money simply because something might create jobs or expand exports. The primary function should be meeting the needs of Nova Scotians. We need bread, not circuses.

Access to Clean Drinking Water

"Water is the essence of life. Without water, human beings cannot live for more than a few days. It plays a vital role in nearly every function of the body, protecting the immune system — the body's natural defenses — and helping remove waste matter. But to do this effectively, water must be accessible and safe."[16]

In the 2002 Drinking Water Strategy, the Nova Scotia Government acknowledged that water "must be treated as a resource to be valued, conserved and carefully managed." This report noted that while 54% of Nova Scotians drew their drinking water from municipal water systems, 46%, mostly from rural NS, relied on privately maintained wells.[17]

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, maintenance, and delivery of drinking water. 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.

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, 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.[18]

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[19] 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)[20] and the fact that many of the province's suppliers are in decline and politically unstable.[21]

In addition to limited production of electricity from hydroelectric facilities and domestic coal, Nova Scotia has a history of energy production:

- In the 1990s Nova Scotia exported offshore oil to refineries in Montreal; none of this oil was consumed in Nova Scotia.
- Since 1999, the province has exported most of its offshore natural gas to New England, while its limited supplies of onshore natural gas are also earmarked for New England. Very few Nova Scotians are able to take advantage of natural gas because of the absence of natural gas infrastructure in the province.
- In the winter of 2008-09, Nova Scotia faced a wood pellet shortage while exporting tens-of-thousands of tonnes of wood chips and wood pellets overseas.
- The 2010 report examining ways in which NSP can obtain 25% of its electricity from renewable sources by 2015 recommends that electricity that cannot be consumed in the province be exported.

This level of energy exports make 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.

There are three modern energy services: transportation, heating and cooling, and electricity for applications that require a continuous, uninterrupted supply of electricity (i.e., lighting, computers, and appliances).[22]

Meeting the energy needs of these services requires a detailed, systematic approach matching energy sources with energy services, while failure to do so can result in an inefficient energy system. For example, by simply calling for more electricity production, the Nova Scotia government fails to take into account the best use of the electricity, so Nova Scotians do not benefit from this energy. To improve its energy security, Nova Scotia should ensure that any energy product produced in the province that can't be consumed immediately should be stored for subsequent use.

Many renewable energy producers are calling for feed-in tariffs to help subsidize their production costs. Any energy subsidized by the taxpayer or ratepayer should not be exported to markets where the producer stands to gain additional profits from the sale of "green" energy.

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 its existing consumption with, as well as restricting future consumption to, energy sources that are secure, environmentally benign, and sustainable.

Carbon pricing

Despite Nova Scotia's obvious lack of energy security, the province continues to focus on increasing the price of carbon, either through direct taxes or cap-and-trade programs. Ideally, increasing the price of fossil fuels will change consumption behaviour; however, there are a number of issues that need to be addressed before any such actions are considered.

First, carbon pricing can be regressive in that it can hurt low-income earners without some form of tax rebate. Second, it is difficult to administer carbon pricing fairly when it comes to electrical generation as the percentage of carbon emitted per kWh depends upon when the electricity is consumed. Without proper time-of-use or interval metering (in which neither NSP nor the UARB have shown any interest), it is practically impossible to price carbon consumption fairly or accurately.[23] Third, carbon pricing is most easily applied to transportation fuels; however, it is regressive in that wealthier members of society can probably absorb the tax with little difficulty.

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[24]:

- **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

Local communities depend on local food production. The APB recommends investment in decentralized food production, processing, distribution, and marketing throughout the province to create thriving local living economies. A revitalized farm sector will replace imported food. This includes vegetable, fruit, and meat processing; food distribution infrastructure; and farm markets. Nova Scotians are keen to spend their food dollars locally. Our provincial government should support the production of that food.

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. Many farmers are excellent stewards of the land in rural communities. However, over the last 35 years, net income has steadily declined to the point where, on average, farmers earn no or negative net income. Stewardship costs money, and farmers no longer have the ability to invest in farm infrastructure that protects our environment. This includes fencing to keep livestock out of water courses, bridges, manure storage, extra land for rotations, and tree-planting. Investing in stewardship initiatives puts money directly into rural farms and businesses that need it most, and improves viability while protecting the environment. More public money is needed to help farmers with these initiatives, and to help achieve all the goals in Environmental Farm Plans.

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

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 doubled 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.

Housing is an economic indicator of our political and economic productivity/progress and is a sector which is sensitive to the ebbs and flows of the market. Housing is an output of our economic productivity, but it is also an input for it. Safe and affordable housing for all makes our communities safer[28], our populations healthier, and our workforce more stabilized[29]. As noted by the Affordable Housing Association of Nova Scotia (AHANS) "A well balanced stock of safe, affordable and appropriate housing is a key driver in reducing poverty. Increased viability of the housing development and construction industry provides economic stimulus and growth and encourages training or workers in construction, home furnishing and renovation employment."[30]

New social and not-for-profit housing are desperately needed in Nova Scotia. In 2009 there were 4000 people on the waiting list for public housing in the province, and the turnover rate is only 13 to 15 per cent — that means a wait time of at least 2.5 years.[41]

In Nova Scotia, Affordable Housing is currently not a priority of our government. Since the dismantling of the Housing Department in 2000, the province has been without a comprehensive housing strategy which addresses the basic necessity of housing. Housing falls under the purview of the Community Services Minister, but you would not know it if you looked at the government's Cabinet webpage. There is no Cabinet Minister named responsible for the Housing Act on the government Cabinet website as there is for the Harness Racing Act, and the Nova Scotia Gaming Corporation.

In 2002, when the Nova Scotia government entered a partnership with the federal govern¬ment 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. The Housing Development Corporation (HDC) is the existing Crown Corporation which administers all federal and provincial housing funds. In 2009, with a commitment to transparency, the Department of Community Services released an 8-page accountability report for the HDC; however there has never been a publically available full audit of the $56.18 million.

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[31] But the province is still without an affordable housing strategy to effectively invest this money to make housing more affordable in all areas of the province.

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".[32]

We acknowledge that with the appointment of a Ministerial Assistant to focus on housing, the current NDP government is taking steps towards the effective administration of affordable housing in Nova Scotia. 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

The Objects of the Housing Development Corporation

The objects of the Corporation are to

(a) establish housing projects and construct housing accommodation of all types for sale or rent;

(b) plan, design, build, own, maintain, manage and operate housing projects;

(c) construct, acquire, renovate and maintain housing of all types and sell, lease or otherwise dispose of such housing upon such terms and conditions as may be determined;

(d) promote and carry out the construction and provision of more adequate and improved housing for
- (i) low income families and individuals,
- (ii) students,
- (iii) such elderly persons or class or classes of elderly persons as may be designated by the Corporation,
- (iv) families and individuals receiving social allowances or social assistance, and
- (v) generally, persons or groups which in the opinion of the Corporation require assistance;

(e) improve the quality of housing; and

(f) improve the quality of amenities related to housing. R.S., c. 213, s. 7.

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 Nova Scotia, the incidence of poverty declined somewhat during the past decade due primarily to lower unemployment and an improving economy. But in the context of the current recession and the absence of further economic stimulus or additional income support measures, another rise in the poverty rate is likely.

There are various statistical measures of poverty. In Canada, the most commonly used are the Statistics Canada measure of low-income the Low Income Cut-off (LICO) and the Market Basket Measure (MBM) which is more sensitive to actual costs of basic needs in particular locations. These statistics demonstrate that the people most vulnerable to poverty are women, single parent families, people with physical and mental disabilities and youth. Yet any number of life-changing circumstances — an unexpected pregnancy, separation or divorce, higher and more persistent unemployment levels—can mean that no Nova Scotian citizen is totally exempt from the risk of poverty.[35]

Quantitative definitions of poverty, structured around income levels, allow us to measure the extent and depth of poverty in particular locations at a certain points in time, but they tell us little about the impact of poverty on individuals, families and communities. It is also important to remember that poverty is not only about low or inadequate incomes but also about limited access to essential services. As stated by the Poverty Reduction Working Group (PRWG) in 2008:

> "The 'reality' for people living in poverty in our province, including those working for 'low wages' is the inadequacy of economic means sufficient for their basic needs. This is not income alone, but can mean limited access to necessities — such as quality, affordable housing; affordable energy; education and training; health care; quality, affordable child care; and justice —which directly and negatively impacts the freedom, autonomy and economic independence of those living in poverty."[36]

At the same time, poverty is not only costly to the well-being of those who experience it, but it also to the communities and societies in which it occurs. Poverty increases the costs of healthcare, criminal justice, and social services systems, and can be an impediment to individual health, child development, human rights, economic development and productivity.[37]

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.[38]

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

As the 2008 *Nova Scotia Child Poverty Report Card* notes, while the proportion of Nova Scotians in poverty has declined, the depth of poverty or the poverty gap (the difference between the LICO and the average incomes of people in poverty) has increased. It is likely that a major contributory factor here is the long-term decline in the value of income assistance benefits and a regulatory framework that limits access and the ability to top up benefits with earnings.

The National Council on Welfare reports that in most provinces, including Nova Scotia, income assistance benefits in all categories declined dramatically during the 1990s and the early part of this decade. Benefits for families

Regulation 67

In 2000, the Nova Scotia Government introduced the Employment Support and Income Assistance Act (ESIA), rescinding existing family benefits and income assistance programs. Under regulation 67 of the ESIA, a person cannot receive social assistance if they are enrolled in a post-secondary education program that is more than 2 years — essentially all university programs. This change was based on the misguided belief that income assistance is only intended to assist people with basic needs. Unfortunately, there was no recognition that education is a route out of poverty and thus should be encouraged and supported.

The regulation has the strongest effect on people wishing to gain a higher education and who have larger financial needs — such as single parents and people with disabilities. While the Department of Community Services maintained that people could continue to receive social assistance while attending community college or learning a trade for a maximum of two years, this type of skills training often does not succeed in lifting people out of poverty.

Instead of repealing regulation 67, the government chose to implement two exception programs. The "Career Seek" program is designed to help 50 individuals per year attend a 3 to 4 year university program. The program has many strict eligibility requirements, not the least of which required applicants to convince a committee that their degree of choice would get them a job, which resulted in only 2 people being enrolled in the program in its first year. The "Educate to Work" program allows people who receive Income Assistance to take core programs at the Nova Scotia Community College (NSCC) while the government pays for tuition fees and books. Both of these programs apply only to those who are already receiving social assistance.

In the 2009 election campaign the NDP promised to repeal regulation 67. The government has yet to follow through on this commitment.

If Regulation 67 was repealed, regulation 12 of the Act, which prevents someone from accessing social assistance if they have another feasible source of income or assets available that will provide them with "basic needs, special needs or employment services" would prevent unmanageable increase in social assistance applications.

Repealing Regulation 67 is a low cost measure that can help to make post-secondary education in this province accessible for some of Nova Scotia's most vulnerable residents, those hardest hit by the recent recession. A recent study in British Columbia found that when the provincial government allowed those receiving income assistance to access student loans, the government actually saved money in the long-term as most students were able to find gainful employment upon graduation. Instead of introducing complicated and ineffective exception programs, the government needs to repeal Regulation 67, and allow students in need to access social assistance benefits.

improved somewhat after 2002, largely due to the decision in 2001 to end the clawback of the National Child Benefit from families on assistance, but in no case have benefits caught up with what they were at their peak. The impact on single recipients (both employable and disabled) has been particularly harsh with declines from their peaks of 31% and 24% respectively.

The concept of 'less eligibility' institutionalized within needs-based income assistance programs means that welfare benefits for 'employable' individuals are never above the minimum wage. This keeps benefits for all recipient categories well below average incomes. The decline in benefits, however, also means that income assistance levels in Nova Scotia are not only well-below the average after-tax income for similar individuals and family types but, in most cases, also well below the Low Income Cut-Off (LICO) and the Market Basket Measure (MBM)—a government measure of what it costs to meet basic needs. Income assistance for single employable persons is particularly low at only 41% of the LICO.

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.

As indicated below, taking Halifax as an example, the shelter allowance under ESIA is significantly below actual accommodation costs. According to the Canadian Mortgage and Housing Corporation (CMHC), housing is affordable if it does not exceed 30% of household income. At the current rates of ESIA, a single adult from Halifax receiving income assistance would need the equivalent of 144% of their personal allowance to afford to rent a bachelor apartment in addition to the maximum shelter allowance of $300.[39]

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

TABLE 2 **Income Assistance in Nova Scotia relative to LICO, MBM, and Average After Tax Incomes**

Category	Total Income support*	LICO **	Income as % of LICO	Market Basket Measure	Income as % of MBM	Av. AT Income in N.S.	% of Av. AT Income
Single Emp.	$6,300	$15,538	41%	$15,306	41%	$25,482	25%
Single Disabled	$9,140	$15,538	59%	$15,306	60%	$25,482	36%
Lone Parent, 1child	$14,851	$18,911	79%	$19,897	75%	$30,902	48%
Couple, 2 children	$20,703	$29,378	70%	$30,611	68%	$33,872	61%

* Total income support includes gst credits, federal and provincial child tax benefits
** Note that LICO does not take account of some basic needs. The market basket measures (MBM) is a better measure of the cost of basic needs in particular locations and circumstances.

TABLE 3 **2008 Accommodation Costs in Halifax compared with Income Assistance Shelter Allowance**

Unit Size	Average Market Rent	Income Assistance Shelter Allowance	IA Disability Shelter Allowance
Bachelor	$599	$300 (for single adult)	$535 (for single adult)
2 Bedroom	$833	$570 (1 parent, 1 child)	

SOURCE: Adapted from (2009) Halifax Report Card on Homelessness, Community Action on Homelessness 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.

The National Council on Welfare and others also draw attention to liquid asset rules (the amount of cash or savings that must be used up before someone can apply for assistance), as well as to very low earnings exemptions which are a disincentive to paid employment. While the NCW notes differences and disparities in these provisions across the country, Nova Scotia falls in the lowest quarter of the pack on both counts.

Individuals eligible for income assistance in Nova Scotia must have no more than $500 in liquid assets compared with $1000 in Saskatchewan and New Brunswick. The liquid asset rule in Nova Scotia may prevent people in need from applying or becoming eligible for assistance, but it also forces people in need to use up their liquid assets to become eligible for income assistance. In many cases, this deprives them of the means to get off assistance once they are able.

We do acknowledge 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 (28,069 Households X $20 Phone Allowance = $600,000 x 12 months = 7,200,000 annually)
- Give an immediate 10% increase for all ESIA benefits for all able-bodied unemployed recipients — $5 million in new spending ($52.50 increase single regular x 8000 = $420,000 x 12 = $ 5,040, 000 annually)

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 responding to emergencies and to provide health services to community residents.

One of the government's Seven Key Commitments is to "Keep emergency rooms open and to reduce health care waits". Under this Commitment, eleven measures are outlined to help achieve it.

While we are generally supportive of these measures, we are concerned that only one of them deals even remotely with a key initiative which we think is needed to make significant progress. This overlooked measure is to support and strengthen the development of community health centres.

We think that community health centres should become a vital part of the government's health initiatives because they have long been recognized as playing a very useful role. Going back as long ago as 1972, a national report prepared for the country's ministers of health called The Community Health Centre in Canada (better known as the Hastings Report) concluded "community health centres are increasingly seen as an important means for slowing the rate of increase in the cost of health services and for more fully reflecting the objectives, priorities and relationships which society wishes to establish for health care in the future."

In its simplest terms, 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 to 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/advocacy, 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 Canada have generally been organized in response to a crisis or to meet a recognized need. Important precedents have included co-operative group practice clinics and neighbourhood health centres in the U.S., as well as labour-sponsored programs, aboriginal and immigrant services, and the co-operative movement in Canada.

Community health centres have had many accomplishments in their relatively short history. They have pioneered many new types of services and service delivery such as street health services, mental heath, immigrant and occupational health and safety to name a few. They have consistently emphasized a multi-disciplinary approach to service delivery and have had considerable success in making effective use of a wide variety of health professionals. They have been very active in offering a wide variety of preventive, health promotion, and advocacy services beyond the usual range of primary health care services involving doctors and nurses. They have been found to have lower hospital utilization and better prescribing practices. In short, they embody almost all of the key elements that have been identified for the re-direction and re-orientation of our health system, especially in giving much greater emphasis to primary health care.

According to the Canadian Alliance of Community Health Centre Associations, there are at least 250 community health centres in Canada including the CSLCs (or Centres Local de Services Communautaires) in Quebec and Aboriginal Health Access Centres. Community clinics were organized in Saskatchewan during the Medicare crisis of 1962 when the organized medical profession withdrew its services for three weeks. In Ontario, community health centres go back to the early 1970s.

Public or consumer sponsorship of health facilities and services has a long and rich history in Nova Scotia. This includes voluntary health agencies and charities, mental health programs, well-women clinics, women's centres, hospital foundations and auxiliaries, and of course, community health centres.

In Nova Scotia, there are currently eleven community health centres. The oldest of them is the North End Community Health Centre in Halifax. It has existed since 1971 when a group of residents met to discuss how to address inadequate health services in the community.

Other 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.

Provincial government support and leadership has been important in fostering the growth of community health centres. For example, the Ontario government announced in November 2005 that it was investing in 22 new CHCs and 17 new satellite CHCs. In July 2006, they announced four new CHCs and eight new satellite CHCs.

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

- Establishs 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.

Nova Scotia, like most provinces, has a problem. We do not provide comprehensive health care for our population. Instead there are many holes in our public health care system. One of the largest holes is in regard to prescription drugs. Canada and the United States are the only industrialized countries not to have a public drug plan.[42]

We believe a national, universal pharmacare program as outlined by the Canadian Health Coalition in their 2006 research paper, *More for Less*, is long overdue 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[43] and was done successfully by the New Zealand government, resulting in decreases in costs of up to 90% for some drugs.[44]

Nova Scotia currently has 5 different public pharmacare programs which operate under different departmental jurisdictions.[45] 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.

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 similar to that being proposed in Ontario and Alberta for the price of generic drugs relative to the cost of their brand-name equivalents.

Cost-Cutting Tips for Health Care

As made clear in the Back to Balance Pre-Budget Consultations, the Health Department was projected to spend $3.5 billion in services and programs for the 2009-2010 budget year.

Understandably, this figure has caused many concerns among Nova Scotians.

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[46]. 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,

FIGURE 3 **Costs of Programs and Services 2009-2010**

Health	$3.5 Billion
Education	$1.9 Billion
Community Services	$.9 Billion
Transportation	$.4 Billion

but the reality is that corporations and high income individuals are not paying their fair shares. The biggest cost 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, when this 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 more efficient:

1. **Let all health providers operate to their full scope of practice with increased financial recognition of their expanded skills** — Ensure full integration into the existing public health system: nurse practitioners, licensed practical nurses, dental hygienists, midwives… the list is ever growing and ever responsive to the changing health needs of Nova Scotians, many of whom will have chronic illnesses which need to be "managed" rather than treated in an acute care setting. Nurse practitioners can see about 80% of the cases that a regular family physician can see, and they are far more efficient than a visit to the ER for non-emergency cases[47]. Better integration of midwives into the provincial health care system will reduce costs dramatically in pre and post natal care and delivery. It will also provide a more holistic approach to birthing.[48]

2. **Stop giving public money to private operators** — The government should cancel its contracts with the for-profit Scotia Surgery clinic and its contract with McKesson Canada for the Telehealth service. These services can be run in a more cost-effective manner if they are in public hands. The District Health Authorities should be required to open their operating rooms to the Workers' Compensation Board which is willing and ready to pay for the additional costs of physicians and nurses to use the facilities on the weekend to provide injured workers access to the best medical care we have available, to allow them to return to productive and healthy lives. The province should stop providing direct capital and operating funding to for-profit long term care facilities and allow the public district health authorities to operate these facilities to ensure seamless care and seamless staffing.

3. **Stacking procedures** — Diagnostic services are expensive and people wait for their appointments. "Stacking" reduces costs, wait times, and stress on the patient. For example, a woman makes an appointment and attends for a mammogram. Depending on the results of that test, she may have to come in again for an ultrasound, and, depending on that test, for a biopsy. 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.[49]

4. **Eliminate fee for service and negotiate alternative funding proposals with physicians** — Getting physicians off the fee-for-service model will help stabilize and reduce costs. Currently a physician bills MSI for every procedure performed. Each of these procedures needs to be itemized and calculated by physician staff and then confirmed by Department of Health staff with the consequent administrative and time costs. 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. Doctors Nova Scotia is already on record supporting movement towards alternatives payment plans.[50] Removing the profit incentive does not mean that physicians will stop seeing as many patients, or that quality will suffer. Appropriate management of human health care resources will ensure quality and productivity remain strong.
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.[51]
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, toward, 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** — we have 9 DHAs plus a separate structure for the IWK for a population of less than 1 million, while the City of Toronto provides care for over 1 million people with just one health authority.[52] The goal of the review should be to maximize efficiency while increasing local decision making.

Early Learning and Child Care

The NSAB rejects the practice of investing public money in the private, for-profit child-care 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.

Child care in Nova Scotia is privatized, both in the way it is funded and how it is delivered. Child care is mostly paid for with parent fees. Available public funding is primarily provided in individualized forms like tax breaks, parent cheques or fee subsidies based on family eligibility instead of as part of a seamless system.

Private delivery includes both unregulated private arrangements and regulated private for-profit or non-profit programs. Even non-profit community-based child care centres are "private" because parent or voluntary groups—not public government entities such as municipalities or school boards—bear the responsibility for creating and maintaining centres.

Excellent community-based, non-profit child care programs have been the backbone of providing child care services in Canada for decades. Nsab recognizes the tremendous contribution the non-profit community child care movement and its employees have made in Nova Scotia in filling the gaps in social policy over the last 40 years.

However, the non-profit sector is falling behind in Nova Scotia. Half of Nova Scotia's child care spaces—49.5% in 2008—are now in the for-profit sector where most new growth is occurring. Between 2006 and 2008, for-profit growth was 834 spaces while the non-profit sector actually lost 56 spaces.

Nova Scotia does not have inadequate financial resources invested in early learning and child care. What we lack is a coherent vision and system. The Province received tremendous amounts of federal funding from April 2000 through to March 31st, 2008 in the amount of **$135,245,165**. Total Provincial and Federal Expenditures from 2000 to 2008 for early childhood development were a staggering **$281,545,805**. In 2007-2008 alone, it was **$53,928,328**.[53]

This public money did not create a public system in Nova Scotia or appreciably decrease the money young families spend for licensed care. This money did not even address the situation of unlicensed care, the only option in some communities.

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 Working Group recommends the phased-in introduction of full day seamless early learning and child care for four and five year olds in Nova Scotia. This would begin to meet the needs of both children and their parents. 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.

Child care for children under four years old would be maintained over the short term through the existing private system, but with no new funding to for-profit private operators. The existing private for-profit operators would be maintained until we are able to provide a fully accessible public alternative in those areas of the Province where none currently exist. The Government must ensure that conditions are put on any funding to private operators to ensure that public funds are used exclusively for the provision of child care, and not for property enhancements which only benefit the owner.

Existing non-profit child care centres do not have to "close" as a result of the phased-in introduction of pre-primary learning and care. These centres will need some "start up" funding to convert the space formerly occupied for 4 year olds to provide more infant and toddler spaces. The ratio of early learning educator to child are lower, so funding would have to be provided for additional staffing. We would create more spaces for younger children still paid for through parent fees and the current funding system.

Eventually new infant and toddler child care spaces would be created and developed through the Department of Education as publicly delivered child care family centres which would offer extended hours, full day, part day and even drop in programs. Much work has been done on the neighbourhood "hub" model of a family centre which provides a comprehensive set of services that parents and their children, and the communities that they live in need and deserve.

Programs would be inclusive of all children, including those with extra support needs. Parenting programs and resources would also be central to the mandate, as would programs and resources that meet various needs of families — e.g., health, skill development, pre and post-natal support, assistance and education, as well as leisure and social activities. Central to parenting programs would be those that provide parents with knowledge and/or assistance in meeting the development and learning needs of their own children. The centres will develop partnerships with other community resources to extend children's learning opportunities — libraries, art galleries, gymnasiums and recreation facilities, museums, etc. Comprehensive set of services will be available for parents and children in rural and urban communities across Nova Scotia.

The process of how those public family centres would be administered needs much more discussion in Nova Scotia. In other provinces like Ontario, Alberta and Saskatchewan, municipal and local governments fulfill that role. The CCPA Alternate Provincial Working Group raises it here as something which needs to be considered as part of the long-term legacy of this Provincial Government. However, we will not be submitting costing for this significant policy development in these submissions.

As the public system is developed and expanded, we will not worry that employees of existing child care centres will be out of work. Administrators will be needed by schools; early childhood educators will be needed to provide care. Dieticians and cleaners will still be needed to feed children and clean the facilities, even during the summer months. Existing centres could focus more on the needs of infant and toddlers, with better staffing ratios. More employment will be created, not less.

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 currently do not have enough licensed and trained early childhood educators to provide universal pre-primary to the approximately 8,500 four year olds in Nova Scotia. Although we have the space capacity in many of our existing schools and public buildings, we will need to renovate and retrofit spaces to provide for smaller toilets, proximity to food and snack preparation, the right size and quality of furnishings and learning materials. We have the capacity within the existing transportation/bussing system.

We will need time to renovate and retrofit existing child care centres to provide for more infant and toddler care. We will need time to train more early childhood educators with special expertise in the very young child, and to deal with reality of lower child/staff ratios.

Although we are not proposing to implement the full program in this budget year, we will calculate what the total costs might expect to be in four years to introduce universal "pre-primary" for all four year olds in Nova Scotia:

- 8,500 four year olds
- 18 students per learning experience = (8500/18) = 472 "classrooms"
- 1 early childhood educator —annual salary and benefits — $50,000*

  (*currently early childhood educators are significantly underpaid and undervalued. Part of a commitment to life-long learning, beginning with the early years, involves recognizing the professional nature of early childhood educators and their need for appropriate pay and benefits)
- 2 early childhood educators for each "classroom" = 472 x 2 = 944 ECE x $50,000 = $47,200,000 annually
- Renovations for 472 classrooms – **1 time only** x $25,000 = x 472 classrooms = $11,800,000
- Annual consumable and learning materials; $25,000 x 472 classrooms = $11,800,000

If we were to implement universal pre-primary in September 2010, the total cost would be 47,200,000 + 11,800,000 + 11,800,00 = 70,800,000.

However, because of the need to train sufficient early childhood educators and provide for the renovation of facilities, we could start with slowly implementing this system. The Government has the data and resources to determine how best to do this. 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.

To implement this program in September 2010 in the 19 test sites already used by the Pre-Primary Program, no renovations would be required. The costs would simply be 19 classrooms x 2 early childhood educators @ 50,000 per year = 1,900,000 and an additional 25,000 x 19 classrooms for materials: 475,000 for a total of 2,375,000.

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 province's first lease-back school was announced in 1994. In 1997 the government — without evaluating the success or failure of the first school — announced every new school in Nova Scotia would be built through public private partnerships. The following year, the Liberals changed the province's Education Act to require the minister to find the cheapest possible way

Save Grade 2

In 2010, the Nova Scotia Education Partners Group began a campaign to "Save Grade 2" as a response to growing concerns that with the current budget discussions, public school funding was at risk. The Nova Scotia Education Partners group says that without a 3.6% increase to the current public school budget to maintain status quo services, Nova Scotian school boards would be faced with "impossible choices" on where to make cuts in an already strained system. On the "Save Grade 2" website, they give some examples of what would happen to the public education system if the 3.6% increase does not occur, like the elimination of 800 teaching positions, or at the most extreme level, the elimination of an entire grade level — hence Save Grade 2.

This proposed 3.6% increase however, only provides funding to maintain a status quo level of services to an already struggling public education system. With the amount of research available showing the social and economic benefits associated with education, increasing the investment in our public schools by 3.6% seems like a small price to pay.

to build new schools, and by 1999, 56 schools were in the planning stage, under construction or already open. Enter the partners in these so-called "partnerships" — real estate companies, land developers, huge financial corporations and, in a new twist, public sector pension funds."[54]

In February 2010, the Auditor General of Nova Scotia delivered what was called a "scathing" review of the P3 contracts, which, unfortunately, did not get as much attention as the MLA spending scandal which was also highlighted in the report.

> "The school public-private partnership contracts examined during this audit represent a significant financial obligation to the province totaling approximately $830 million over their 20 year life. The magnitude of such contracts requires a very high duty of care which has not been adequately met by the Department of Education."[55]

This is not the first time that the Auditor General of Nova Scotia has been critical of P3 Schools. The previous Auditor General Roy Salmon criticized the attempt of the Liberal Government to "hide" the true costs of the P3schools by "using a narrow definition of debt…There is still a commitment to make lease payments for 20 years, and that is the next thing to a debt."

P3 school contracts were eventually ended following the 2000 Provincial election when the Liberal Party was defeated by the Progressive Conservative Party lead by Dr. John Hamm. However, Nova Scotians are still paying for these bad investments.

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

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%. As people living with disabilities account for 45% of all ESIA recipients, it is clear that more work must be done to protect the disadvantaged from falling through the cracks.

Currently, the Student Services division of the Department of Education establishes the policy and action plans for special education programming. In addition to special needs, Student Services establishes policy around diversity, career planning, guidance, and student records. Student Services funding in 2009-2010 was approximately $3.6 million.[57]

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.

Sometimes, teachers require additional tools and technology to support their students with special needs. While grants are available to cover expenses above and beyond the formula funding for special needs students with extreme challenges, these are inconsistent and reliant on the capacity of individual schools to seek out and apply for such grants. In many cases, the filling out of grant applications falls on individual Learning Centre teachers who often do not have the time or skills to do so.

The resources available for teachers and Educational Assistants vary by school board. While the Halifax Regional School Board has many services and initiative 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 Atlantic Provinces Special Needs Authority (APSEA), also exists. It is an interprovincial initiative that provides educational services, programs, and opportunities for Atlantic Canadians from birth to 21 years of age who are visually or hearing impaired. In 2009-2010, APSEA was projected to spend $8.7 million from the Public Education funding envelope.

Students with visual and hearing impairments represent only a small proportion of students with special needs. In 2006, the number of Nova Scotians between 5 and 14 with a visual disability was 560, and 600 with a hearing disability, for a total of 1160 people[58]. Compare this to 3,740 students with a learning disability and 1,790 with a developmental disability, in the same age grouping.[59]

The Department of Education needs to do more to make 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

Post-secondary education in Nova Scotia plays a significant role in the province's economy. In many rural communities, such as Church Point, Wolfville and Antigonish, colleges and universities are among the largest employers. Education and training should be a priority, not only as an economic stimulus measure, but to ensure that Nova Scotia has a stable and prosperous economy over the long-term.

According to the provincial government, Nova Scotia's 11 universities contribute over $1 billion to the province's economy and provide 7,500 direct and 17,500 indirect jobs. Over 6,700 jobs totaling over $202 million in wages and salaries are also attributable to the Nova Scotia Community College (NSCC). Over 42,000 students attend university in Nova Scotia, with another 10,500 full-time and over 15,000 part-time students attending the Nova Scotia Community College (NSCC).

The government's economic review panel recommends that the government "should focus its future economic development on strengthening the province's productivity performance and on developing a highly skilled and adaptable labour force."[60] According to Statistics Canada, 70 % of new jobs require a post-secondary education. The NSCC predicts that by next year, 89 % of jobs in Nova Scotia will require post-secondary education.[62] As a result, creating a skilled and adaptable labour force depends on the government's ability of the government to deliver an affordable and accessible post-secondary education system.

In her paper for the panel "Shaping a Path for Growth and Prosperity in Nova Scotia," Elizabeth Beale notes how much universities contribute beyond providing new graduates, dubbing them leaders "in the economic transformation of the province."[64]

Nova Scotia is facing an aging population. According to the Seniors' Secretariat 's 2005 "Strategy for Positive Aging in Nova Scotia," seniors are the fastest growing segment of our population. Nova Scotia has the highest proportion of seniors in Atlantic Canada and the second highest in Canada.[66] The aging workforce is creating skill shortages in various industries. In Nova Scotia, the Department of Labour and Workforce Development reports in its 2009-2010 Business Plan that nearly one in three Canadian employers have difficulty finding skilled workers.[68]

Skill shortages increase the pressure on colleges and universities to meet the needs of employers. In fact, in its Strategic Plan for 2008 to 2013, the Department of Finance highlighted the need to identify and respond to provincial workforce requirements as its third Strategic Goal.[70]

Out-migration of Nova Scotian youth is also a major challenge. Since 1999, when the government of Newfoundland and Labrador first froze tuition fees, the number of Maritimes students attending university in Newfoundland and Labrador has increased over 800%. Students from Nova Scotia studying at Memorial University increased ten-fold, from 64 students in 1999-2000 to 725 students in 2006-07. The number of undergraduate students from Newfoundland and Labrador enrolled in Maritime universities has dropped by almost half, by 1,142 students, since 2000-01.[72]

While the government has increased funding to universities over the past five years, these increases are modest in comparison to the cuts faced since the early 1990s. In 2008, the government negotiated its second Memorandum of Understanding (MOU) with the Council of Nova Scotia University Presidents (CONSUP) on university funding which increases funding to universities by $30 million annually from 2008-2011 and ensures a tuition fee freeze for all students.[74]

These increases mean funding to universities will finally be the same in real dollars as it was in 1989. The funding deficit from cuts over the past 20 years, however, is over $676,000,000. This funding also does not consider the 20% enrolment increase between 1992 and 2005.[76]

As a result, universities were forced to explore other funding sources; increased user fees for students and reliance on corporate funding and endowment funds. The current recession has resulted in significant reductions in the income available through these funds and through corporate sources, leaving our universities in difficult financial positions.

To see improvements in the quality of post-secondary education programmes, significant increases to per-student funding from the province are required.

The government's choice to invest in the Nova Scotia Bursary Trust in lieu of legislated policy that controls tuition fees is a food stamp approach to university tuition fees. The program which invests $66 million in tuition relief for Nova Scotian residents for 2008-2011 approaches tuition fee relief and support as a short-term problem. Making one-time investments in trusts creates funding vacuums that must later be filled.

Further, since trusts rely on one-time investments, if the money runs out, students are left out in the cold. For example, the Nova Scotia Bursary Trust outlines that if money for the rebate for 2010/2011 is insufficient, the university presidents have the power to reduce the rebate amount. The investment in the trust was initially $66 million, however, the costs of the rebates it amount to just over $70 million. While interest accumulated on the trust may address this gap, with the current economic situation this may not be the case, leaving a gap between the rebate students are expecting and the funds available.

Instead of these complex, opaque approaches, the government should include funding for universities under "Assistance to Universities." This is the most transparent, publicly accountable, and sustainable way of adequately funding our universities.

Chronic government under-funding has forced the burden of funding universities primarily onto the backs of students. Nationally between 1977 and 2007, the proportion of university operating revenue provided by government declined from 84% to 57% while the proportion funded by tuition fees increased from 14% to 34%.

In Nova Scotia tuition fees more than tripled since 1989, with average undergraduate tuition fees at $5, 696, $779 above the national average.[80] This data provides a distorted view of Nova Scotia tuition fees as the most recent Statistics Canada tuition fee average includes the rebate provided only to Nova Scotia residents.

The government provides only some students (Nova Scotia students studying in the province) with a $267 per year tuition fee rebate through the Nova Scotia Bursary Trust fund program, which expires in 2011. (In the last year of the program out-of-province students will receive $267). Nova Scotia is one of only two provinces that charges out-of-province students higher (differential) fees, meaning that some students pay nearly $1, 022 more than their "Nova Scotian" counterparts. International students pay nearly twice as much for the same education. Differential tuition fees are a barrier that discourages talented youth from studying, and settling, in Nova Scotia.

According to the Canadian Association of University Teachers (CAUT) undergraduate tuition fees grew from an average of $1,706 in 1991/92 to $4,724 in 2008/09, an increase of 177%. During the same period, the cost of living only increased by 38%.[82]

High tuition fees are a barrier to post-secondary education, especially for students from low- and middle- income families and marginalised communities. According to the CAUT in 2006, youth aged 18-24 with parents earning more than $100,000 in pre-tax income were almost twice as likely to attend university as those with parents earning $25,000. According to CAUT's 2009 Almanac in 2007 only 3% of students surveyed self-identified as aboriginal, 19% as a member of a visible minority group and 8% as disabled.[84]

High tuition fees in Nova Scotia have caused student debt to skyrocket. The average student debt in Nova Scotia is currently $28,000, an increase of $7,000 in five years. About one quarter of Maritimes students graduate with more than $40,000 of debt after their first degree.[86]

High student debt has immense consequences for Nova Scotia's economy, especially with regards to out-migration. Students choose to go to provinces with lower tuition fees or higher wages. Graduates who remain in the Maritimes earn just 76 cents on the dollar, compared to the rest of Canada, but are saddled with the country's largest debt loads.

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 upfront 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.

In 1993, the government cut the only needs-based grants program for students and then implemented a loan remission program in which students could have a portion of their loans written off by the provincial government.

In 2008, the government introduced the first needs-based grants program in fifteen years. The program provides 20% of a student loan as an up-front, non-repayable grant, saving the average student borrower about $775 to a maximum of $1,560. This program, however, only re-invests 60% of the money that students benefited from under the grants program cut in 1993.

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 graduated from an eligible postsecondary program on or after January 1, 2006 and who remain in the province.

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. 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.[88]

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.[90]

Nova Scotia Community College

While universities have been significantly hit by funding cuts, government investment in the Nova Scotia Community College has been strong, in terms of both operations and infrastructure. The community college system, however, has not been immune from tuition fee increases; in 2007-08 tuition fees at the NSCC increased by 4%. Domestic students currently pay $2,700 per year for a certificate or diploma program and $3,700 for an advanced diploma program. International tuition fees are $7,800 per year.[94] In 2008, NSCC collected about $19,536,418 in tuition fees from students.[96] NSCC provides free training in areas of Adult Learning for Nova Scotians who do not have a high school diploma, and through the Department of Community Services' Educate to Work program for people on income assistance.

For many, attending the NSCC is the most accessible avenue for post-secondary education and skills training. As more people lose their jobs and seek re-training, a strong community college system will be important to absorb their numbers and meet their training needs such that they may participate in building economic stability. Premier Dexter has recognized

Prepaying

Since the introduction of the first multi-year Memorandum of Understanding (MOU) in 2004, actual government spending for universities has varied greatly from the amount that appears from year to year in the province's budget. This is because the government has relied on year-end spending or "pre-paying" university funding — end-of-year, additional funding to the university sector by pre-payment of a portion of the next fiscal year's MOU.

Pre-paying university funding allowed the government to spend any unbudgeted surpluses at the end of a fiscal year that would otherwise have been required to be put towards paying down the province's debt, as per the Financial Measures Act. It also gives the illusion of additional funding for universities.

In 2008 alone, the government spent about $72 million pre-paid funding for the 2008/2009 fiscal year and at the end of the 2009 fiscal year, the government continued this practice by dedicating over $256 million to university funding in March 2009 to pre-pay their financial commitments for 2009/2010 as per the MOU. In the 2009-2010 budget, the current government continued the practice of pre-paying funding to universities, choosing to pay university presidents all monies owed to the end of the current MOU (or "buy out" the MOU), which expires in 2011.

In their August 2009 report Deloitte recommended avoiding one time or pre-payments for universities. This practice is not transparent and is unsustainable.[92] Relying on end of year surpluses to fund universities' operating costs relies on large budget variances. If these budget variances do not occur university funding is put at risk.

the importance of expanding access to the NSCC with his recent commitment to provide 250 additional NSCC seats.

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.[98]

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 up-front 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 is a major public policy issue in Nova Scotia which is intertwined with poverty reduction, rural and urban economic development, health, housing, education, trade and the environment. In addition to being an infrastructure issue, it is one of access and mobility for people. We require transportation to get us to school, to the doctor's office, to the grocery store, etc. Yet for thousands of Nova Scotians, this access and mobility is severely restricted. This year alone, Nova Scotians access to transportation options has been reduced with the planned closure of the CAT Ferry and the proposed reduction of services by Acadia Lines.[100] But while private, for-profit transit authorities have been reducing services in the pursuit of profit, municipal transit authorities have been left to pick up the slack.[101]

Adequate investments in sustainable transportation can be made be feasible and attractive by targeted investments in active transportation, public transportation, rail and secondary roads.

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 pas-

TABLE 4 Rural NSCC Student Access to Public Transit Here

Non- Halifax NSCC Campus	Distance from HRM	Municipal Bus Service	Acadian Lines Bus Service	VIA Rail Service
Annapolis Valley Campus (Middletown)	150 km	NO	YES (1x day)	NO
Burridge Campus (Yarmouth)	300km	Minimal	NO	NO
Cumberland Campus (Springhill)	170 km	NO	YES (1x day)	YES
Kingstec Campus (Kentville)	100 km	YES	YES (2x day)*	NO
Lunenburg Campus (Bridgewater)	100 km	NO	NO	NO
Marconi Campus (Sydney)	400 km	YES	YES (3x day)**	NO
Pictou Campus (Stellarton)	150 km	NO	NO	NO
Shelburne Campus (Shelburne)	220 km	NO	NO	NO
Strait Area Campus (Port Hawkesbury)	260 km	NO	YES (2x day)	NO
Truro Campus (Truro)	90 km	NO	YES (8x day)	YES

* 3 Times a day on friday
** Acadian lines has applied to drop the number of sydney trips from 3 times a day to once a day

senger 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.[102] 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.[103]

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 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. TNS would have the ability to operate several core routes connecting the province from Yarmouth to Glace Bay. Some of the major routes would include:

- Yarmouth to Halifax via the Valley
- Yarmouth to Halifax via the South Shore
- Halifax-Truro-Amherst

- Truro-New Glasgow-Antigonish-Port Hawkesbury-Baddeck-Sydney
- Cheticamp-Inverness-Port Hawkesbury

TNS could also operate shorter routes, run several times a day, including:

- Kentville-New Minas-Wolfville-Windsor
- Bridgewater-Lunenburg-Mahone Bay
- Pictou-New Glasgow-Stellerton-Westville
- Windsor-Mount Uniacke-Halifax
- Halifax-Elmsdale-Enfield-Stewiake-Truro

While these are just possibilities, they would connect the province in a meaningful way. People would be able to live and attend school in rural communities and small towns but still work in urban centres.

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.[104] Kings Transit Authority subsidizes 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.

In the future, TNS should have a far broader mission — for example, the creation of a high-speed passenger rail service. While this project is not proposed by this year's APB, TNS could begin to investigage the feasibility of building high-speed rails to Sydney, Yarmouth, Wolfville, Bridgewater, Antigonish, Truro and Amherst. This type of investment would also be building an infrastructure for a new century. It is often said of rail in NS "that we don't have the population to justify the expenditure." We propose that we actually don't have the population to maintain the highways we've builtd for what is too often individual users, especially considering the costs of twinning a highway is about $1,000,000 per km. Train service infrastructure, over its lifetime, would not be this costly and would give the province an entirely different relationship between the rural and urban areas.

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.[105] However, the need for public ownership in the insurance industry is very important to help control costs and stop consumers from being gouged.[106]

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.[107] However, in 1971 it only cost the Manitoba government $375,000 to create their public auto insurance program[108] (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.[109] 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.

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

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

In Nova Scotia today, they contribute one-sixth of the economic activity in the province, employ 7000 people and provide 6000 people with homes. 308,000 Nova Scotians are mem¬ber-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 control; 3. Member economic participation; 4. Autonomy and independence; 5. Education, training, and information; 6. Co-operation among co-operatives; and 7. Concern for community.

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

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.[110]

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.[111]

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.[112]

Appendix 1: Income Tax Methodology

To raise revenue by the amount by which sales taxes have decreased, we recommend an increase in income taxes because this would add to the progressivity of the overall tax system. We apply increases only to the top 60 percent of tax filers, who received 84 percent of the income in 2007. We propose a modest 1.5 percentage points added to the taxes of the bottom third of this upper group, roughly equal to what a 2 percentage point increase in the sales tax would take from them. We add another 1.5 percentage points to the next third (20 percent of the total filers). We divide the top 20 percent of filers in half, adding another 1.5 percentage points to the provincial taxes of the lower half. For the top 5 per cent of tax filers, we add yet another 1.5 percentage points to their income tax.

These incremental income tax increases would add an additional $384 million to the provincial revenues, based on 2007 income tax data. With growth in incomes to 2010, this would be about $399 million[113] and the proposed increase in the sales tax would be avoided. In the process, the tax system shifts more of the payments to the upper incomes. The income tax rate increase for 3 out of 4 Nova Scotians would be less than one percentage point. For the top five percent of tax filers, those reporting incomes of $250,000 or more, their effective tax rate would rise by slightly less than 7 percentage points.

TABLE 6 Appendix

Brackets	Total number returns	Percent of total returns	Cumul. % of total returns	Total income 1000$	Percent of total income	Taxable income (a) 1000$	Federal tax 1000$
0	19170	2.72	2.72	-17186	-0.07	0	0
1-10,000	119190	16.89	19.60	672546	2.80	511186	202
10-15,000	77030	10.91	30.51	991210	4.13	829879	5432
15-20,000	78810	11.16	41.68	1367529	5.70	1198650	21060
20-25,000	56210	7.96	49.64	1260667	5.26	1165510	43477
25-30,000	54360	7.70	57.34	1499511	6.25	1398824	77007
30-35,000	54210	7.68	65.02	1761187	7.34	1616994	107805
35-40,000	40940	5.80	70.82	1535853	6.40	1406861	106212
40-45,000	36440	5.16	75.98	1544021	6.44	1397499	120967
45-50,000	28250	4.00	79.99	1335930	5.57	1200371	118305
50-60,000	43660	6.19	86.17	2394813	9.98	2127473	238830
60-70,000	34740	4.92	91.09	2236068	9.32	1970494	248253
70-80,000	20080	2.84	93.94	1495178	6.23	1309178	175168
80-90,000	12200	1.73	95.67	1029227	4.29	908992	128005
90-100,000	7900	1.12	96.79	747857	3.12	655771	99415
100-150,000	14370	2.04	98.82	1700641	7.09	1488536	238116
150-250,000	5720	0.81	99.63	1083863	4.52	931033	175514
250,000 +	2600	0.37	100.00	1346345	5.61	1170169	253472
Total	705880	100.00	...	23985260	100.00	21287420	2157240

SOURCE Canada Revenue Agency, Final Income Statistics, Basic Table 2, http://www.cra-arc.gc.ca/gncy/stts/gb07/pst/fnl/tbhtml-eng.html

NOTE (a) All credits and deductions have been taken into account to get taxable revenue.
(b) The tax level for the third quintile is obtained by assuming 80% of revenue is spent on goods on which HST applies, and then taking 2% of that 80 %
(c) The proposed tax increases, starting at 1.5 percent, generate addional provincial tax revenue of $384 million, on the 2007 incomes
Assuming a growth in incomes of less than 6 % from 2007 to 2010 generates a projection of $400 million in 2010 dollars

TABLE 6 Appendix (con't)

Brackets	Provincial tax 1000$	Total tax 1000$	New rate %	Tax (b) revenue 1000$	Effective tax rate new	Effective tax rate old	Effective tax rate
0	0	0			0.000	0.000	
1-10,000	672	2085			0.003	0.003	
10-15,000	7221	15653			0.016	0.016	
15-20,000	22039	45299			0.033	0.033	
20-25,000	40752	86922	1.50	620	0.069	0.069	0.007
25-30,000	63719	144054	1.50	4674	0.099	0.096	0.032
30-35,000	88289	200013	1.50	7992	0.118	0.114	0.040
35-40,000	91626	200379	3.00	8821	0.136	0.130	0.044
40-45,000	102022	226190	3.00	11862	0.154	0.146	0.052
45-50,000	96291	216705	3.00	12705	0.172	0.162	0.059
50-60,000	187641	431728	4.50	27805	0.192	0.180	0.064
60-70,000	190436	444675	4.50	41773	0.218	0.199	0.094
70-80,000	134578	315633	6.00	27287	0.229	0.211	0.086
80-90,000	97798	230899	6.00	22515	0.246	0.224	0.098
90-100,000	75019	179303	7.50	18609	0.265	0.240	0.104
100-150,000	179849	431229	7.50	54519	0.286	0.254	0.126
150-250,000	129470	311395	9.00	53334	0.337	0.287	0.171
250,000 +	176519	433907	9.00	91470	0.390	0.322	0.211
Total	1683941	3916069		383986			

SOURCE Canada Revenue Agency, Final Income Statistics, Basic Table 2, http://www.cra-arc.gc.ca/gncy/stts/gb07/pst/fnl/tbhtml-eng.html

NOTE (a) All credits and deductions have been taken into account to get taxable revenue.
(b) The tax level for the third quintile is obtained by assuming 80% of revenue is spent on goods on which HST applies, and then taking 2% of that 80 %
(c) The proposed tax increases, starting at 1.5 percent, generate addional provincial tax revenue of $384 million, on the 2007 incomes
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