



Nova Scotia Alternative Provincial Budget 2013

Strengthening Connections, Connecting Communities

Budget in Brief

Introduction

The NDP government is about to table the balanced budget that it promised. Undoubtedly, Nova Scotia's fiscal situation is better than it has been in years. Our fiscal health, however, is only as strong and sustainable as the economic and social context of our province. The strength of our province depends on the strength of our communities.

Over the past year, Nova Scotia's economic progress has stalled. In its December update, the Nova Scotia Finance Department lowered its estimates of real GDP growth from the projected growth in last year's budget. This slower growth rate has a negative impact on employment. While Nova Scotia experienced employment losses over the past year, all other provinces, except New Brunswick, experienced employment growth.¹ Consequently, the unemployment rate remains stubbornly high; in February it rose a full percentage point from a year earlier to a rate of 9.3%. This compares unfavourably to a national rate of 7.0%. Nova Scotia's overall unemployment rate, however, masks the regional disparity in unemployment outside of the HRM. The unemployment rate stands at 10.4% in the Annapolis Region, 12.2% in Southern Nova Scotia, 12.5% along the North Shore, and 16.9% in Cape Breton. In all regions of Nova Scotia, the unemployment rate is higher than it was a year earlier.² Furthermore, youth in Nova Scotia continue to struggle to find work, with an unemployment rate of 18.5%.³

Unemployment is a waste of productive resources. It represents thousands of people who want to work to earn a living and contribute to our society. There are

thousands more who have given up and are no longer even looking. Of course, these numbers tell us little about others who commute or just move out of province for work and the impact unemployment has on our family.

The provincial government must make strategic investments to boost the sluggish economy and expand opportunities for Nova Scotians.

A lack of childcare, leaving aside the issue of cost, affordable housing, affordable post-secondary education, and a health care system that does not address primary health care needs, all contribute to poverty and inequity in our province. Canadian families have debt equivalent to \$1.65 for every dollar they earn.⁴ Investments to fill these gaps help build an economically stronger province.

The Nova Scotia Alternative Provincial Budget (NSAPB) is about *Strengthening Connections, and Connecting Communities*. The strength of our connections is one measure of the health of our democracy, our communities, and us as individuals. How and why we connect, as well as the barriers that prevent us from making more meaningful connections, say a lot about society.

The NSAPB 2013 pays particular attention to the least-connected in our communities — the alienated, marginalized and discriminated against. Everyone deserves meaningful opportunities to contribute to our society and to our democracy. However, these opportunities are lacking for some people or there are too many barriers to take up those offered. These barriers include racism, ableism, and homophobia. Gender discrimination and sexism ensure that women and girls from marginalised communities face additional barriers. This alternative budget allocates resources to connect communities across the various divides, but also strengthen the ties within these communities. In doing so, the NSAPB's investments create good jobs and build a stronger economy; more rooted in our communities and better able to respond to the diversity of community needs.

Our Fiscal Health: Connecting the Social and Economic Dots

It appears that the government is heading into surplus territory. As *Table 1* shows, the surplus over the next fiscal year is likely to be small because it has pledged to cut 1% of the provincial portion of the HST as of July 2014. Another 1% is to be cut in July 2015. Each percentage points represent at least \$180 million in revenue. The HST, a regressive tax, is one that the NSAPB would support cutting. However, our position is that the government's spending cuts leave the province without room for cutting revenues. Moreover, we have not fully recovered from the recession. This alternative budget supports rebalancing the social deficit by ensuring that our rev-

TABLE 1 Nova Scotia Department of Finance

Budgetary Transactions (\$ Thousands)	2013–14	2014–15	2015–16
Revenues	9,539,300	9,583,800	9,762,500
Expenditure (Inc. Debt Service)	9,553,300	9,593,500	9,768,800
Surplus (Deficit)*	15,400	19,700	23,100
Debt to GDP	33.70%	32.60%	31.20%

Source Department of Finance, Budget Assumptions and Schedules (March 2012)

*includes consolidation and accounting adjustments

enue base is more progressive and sufficient to provide the quality public services Nova Scotians need.

Put Debt Into Perspective

The NSAPB does not support using the surplus over the next two years to pay off the debt. Rather, the debt must be put into perspective in terms of anticipated federal government spending cuts, including to the health transfer and cuts to individual transfers (EI, OAS) that will mean more demands are placed on provincial resources including income assistance. Moreover, our municipalities are struggling to provide services and repair crumbling infrastructure and they need assistance.

For our next steps, it is more important to consider the relative size and the relative cost of that debt. The ability of a government to safely carry debt depends on its GDP. Nova Scotia's debt-to-GDP ratio has fallen from 49% in 2000 to approximately 35% in 2011. Nova Scotia's fiscal position has improved dramatically.

Furthermore, the relative cost of servicing Nova Scotia's debt has also declined. In 2002 almost 20% of the NS Government's expenditures went to finance the debt. The debt servicing/expenditure ratio has fallen to just above 9%. This decline is mostly due to lower interest rates which allow the government to exchange high-cost debt for low-cost debt.

To summarize, the relative sizes of Nova Scotia's deficit and debt are manageable and declining, as is the cost of financing the debt. Thus, Nova Scotia is in a reasonable fiscal position. Relative to the current low interest rates, many public investments have high rates of return, which makes them better candidates for government spending than paying off the debt. Productive public investments enhance economic growth. Moreover, such investments are necessary. One of the most significant hindrances to economic growth is economic inequality and insecurity. It will cost more if these problems are allowed to get worse.

TABLE 2 Nova Scotia Alternative Provincial Budget

	2013–14	2014–15	2015–16	2016–17
Revenues	\$9,748,247	\$10,230,904	\$10,943,840	\$11,957,641
Expenditure (inc. Debt Service)	\$10,074,891	\$10,448,024	\$11,039,876	\$11,907,038
Budget balance	-\$326,645	-\$217,120	-\$96,036	\$50,603
Debt to GDP	35.18%	34.25%	33.15%	31.48%

At least for the past 25 years, Nova Scotia has spent less on a per-capita basis than the Canadian provincial or the Atlantic average, but not because our residents are healthier and wealthier and need fewer services. Quite the opposite. The deep federal cuts in the 1990s left holes in our safety net that were never repaired. The current round of federal cuts, and continued underfunding of programs and services cannot continue and nor can the neglect of our crumbling infrastructure. To bring Nova Scotia in line with the national per-capita average, expenditures would have to rise by over \$800 million. Thus, this Alternative Budget takes the initial steps to bring Nova Scotia closer to par.

Nova Scotia Alternative Provincial Budget

Table 2 represents the overall budgetary transactions of the NSAPB. The NSAPB contributes strategic investments (new spending) of \$ 535.81 million, which is paid for by reallocating \$167.80 million in spending from ineffective programs and by raising additional revenue via tax changes (\$338.4 million). The NSAPB has also assumed that, to keep existing programs at their current levels, departmental expenditures will increase at the rate of inflation, at a cost of \$ \$171.6 million. The resulting deficit in 2012–13 is \$326.65 million.

The NSAPB assumes that provincial source revenue will grow at a rate consistent with nominal GDP growth: real GDP growth plus inflation. Our forecasts of these variables are based on the average estimates of the Canadian banks that have made such forecasts. It assumes GDP real growth rate of 1.8% for 2013–14 and 2.3% for the following year.

The NSAPB's key revenue proposals are:

- 1. Restore Progressivity: The NSAPB makes the fifth tax bracket permanent to retain current progressivity of the income tax system.** It raises the tax rate for the two top brackets, raising the rate one percentage point to 18.5% for those with incomes between \$93,000 and \$149,999 and raising the rate two percentage points

to 23% for those making \$150,000 and over. This reflects adherence to the principle of a progressive tax system and recognises that in recent decades, growth accrued almost entirely to the top 10%. Indeed, most of the income gains have been to the top 1% while their taxes have been falling as a proportion of their incomes!⁵
Revenue Raised: \$94.98 million

2. Fully Tax Capital Gains: The next candidate is the 50 percent inclusion rate for capital gains and stock option incomes. Treat these forms of income the same as the rest of us have our incomes treated — all of it should be included as taxable income on the provincial tax form. Revenue Raised: \$47.70 million

3. Remove Tax Credits: Credits which are for specific programs that only the wealthier can afford, should be removed. Obvious examples are the child care deduction and the credit for sport and recreational expenses for children. High income people can afford these; they don't need a tax incentive. Low income families cannot afford them; they don't get a tax benefit. With higher taxes because these deductions/credits no longer lower personal taxes, the government will have more revenue and can put more money into programs for *all* children. The NSAPB immediately cancels the Sports and Recreation Tax Credit, which is a provincial credit. Revenue Raised: \$1.8 million

4. Shift Tax Deductions To Tax Credits: Shift tax deductions to tax credits and remove some credits entirely, one more step is necessary to make these credits truly even-handed. Make them refundable. This would mean that a tax payer with \$22,000 of taxable income (i.e., earning the minimum wage) would have a provincial tax calculation of \$2,197.50 but might have tax credits of \$3,000, \$802.50 more than owed. This would then be applied against federal taxes owed or refunded as a tax rebate. In this way, the tax credit would generate the same tax saving for the low income tax payer as for any other tax payer. Revenue Raised: \$195.36

5. Discontinue the Energy Rebate: An across-the-board energy rebate provides savings to everyone regardless of what they can afford to pay. Nothing in the rebate required individuals to do anything that would actually introduce better and more efficient energy systems in their homes or for the province in general. Individual tax "savings" are not as effective as an overall strategy — for either energy security or poverty reduction. Spending Reallocated: \$110 million

Total Additional Revenue: \$449.84

The Nova Scotia Alternate Budget's tax proposals are designed to increase the government's capacity to finance a broad range of government services from which we all benefit. The provision of public services is a form of income and wealth redistribution in our society. We all benefit if we reduce poverty as a community and because it costs more to help people manage to scrape by in poverty than to prevent

poverty and lift people out of it. Employers benefit from better skilled and flexible employees, and from better communications and distribution infrastructures which widen the markets for their products.

As shown in *Table 2*, in contrast to the provincial government, the NSAPB allocates resources to address these barriers in our province now, while delaying balancing the budget (even the federal government will not balance its budget for a few more years). However, Nova Scotia's fiscal health continues to improve under the NSAPB as the projected Debt to GDP ratios continues to decline.

Although the NSAPB calls for a continued deficit for a few more years, this has only a nominal impact on the debt-to-GDP ratio. With continued low interest rates, the NSAPB is prepared to provide the needed public services to the residents of our province while maintaining our ability to manage the overall debt of the Province.

Strengthening Connections, Connecting Communities: A Summary of Investments

Among the strongest determinants of crime, poverty and illness are the social and economic injustices in our society. They are also costly in terms of human potential lost and a waste of scarce resources. The financial cost of poverty is estimated to be \$2.3 billion per year in Nova Scotia. \$600 million per year is the cost to the government of Nova Scotia alone. If we strengthen connections, we all benefit.

Unfortunately these social and economic injustices begin in the earliest years and become difficult to surmount, like the cycle of poverty. The NSAPB invests to begin implementation of an Early Learning and Child Care System to provide universal access to good quality early learning. It also invests in affordable housing, emergency housing and housing supports. These investments all have a high return creating needed employment and services Nova Scotians need.

The NSAPB recognizes that education and training is critical to breaking down barriers. It makes investments to remove the divide that exists between those who have postsecondary education and those who are do not. It targets funding to those groups who have been under-served by our educations systems.

Many of us feel alienated from the corridors of power, from those who make decisions that affect the ability of our communities to survive, let alone to thrive. Many of our rural communities feel this alienation and claim that policies and resource allocation favour the Halifax region at the expense of theirs. Ensuring that the HRM is economically healthy involves strengthening the rest of Nova Scotia. The NSAPB provides meaningful opportunities to participate in budgeting, as well as community economic planning. The NSAPB also invests to target rural economic development

initiatives to enhance food security, community resilience, and sustainable transportation to connect our communities.

The way our communities are designed has a critical impact on whether we connect. People and places must guide our community plans. We need to minimize the amount of time spent in cars and in traffic. In addition, we know that inequality not only amplifies environmental degradation, environmental degradation intensifies inequality through adverse impacts on already disadvantaged people.⁶

The NSAPB invests in order to minimize our negative impact on the environment means protecting and preserving our green spaces, water and air, and all that is necessary to sustain our planet.

Technology is a powerful tool to connect us locally and globally. Unfortunately, digital divides leave some people (low-income, less educated and seniors⁷) and communities behind. In 2009, 76% of Nova Scotians report having access to the internet with 83% having access in Halifax.⁸ Access is especially important as more essential services, such as for education, and employment, have almost exclusive online presence. The NSAPB enhances community-based affordable access to the internet.

Food can be a strong connector whether among our family members at the dinner table, or enjoying time with friends or neighbours. Unfortunately, food has become a source of anxiety for too many people in our society. Since 2008, the number of Nova Scotians who visited a food bank increased by an astounding 39.3%.⁹ Community Food Security is achieved when **all** community residents have access to enough healthy, safe food through a sustainable food system that maximizes community self-reliance and social justice. We are far from that when we import 93% of the weight of the food consumed in our province.¹⁰ Another indication is that “at most 13% of the food dollars we spend are going back to Nova Scotia farmers.”¹¹ The NSAPB invests to strengthen our connections to those who produce food locally, and to deal with the root causes of food insecurity. The NSAPB’s investments in poverty reduction, in local food systems, in renewable energy, and in needed public services (health care, legal aid) to put Nova Scotia on the path to achieving food and economic security for everyone.

Governments have a responsibility to protect and strengthen our communities and we have a right to continue to call for them to do so. The NSAPB is but one tool to help demystify the economic and budgetary decisions that are often used to justify our governments’ priorities and lack of choice. The NSAPB shows that there are other choices that can be made, ones that are more economically and socially justice, as well as environmentally sustainable.

TABLE 3 Nova Scotia Alternative Provincial Budget Summary

New Spending 2013–14 APB	(\$ Millions)
Strengthen Our Democratic and Community Economic Ties	
Participatory and Gender-Based Budgeting	\$ 0.92
Eliminate NSBI	-\$ 27.50
Start Up Nova Scotia Equity Fund	\$ 4.80
Provincial Government Transition to Living Wage Employer	\$ 10.65
Cooperatives Fund	\$ 5.00
Community Economic Planning	\$ 1.00
Repair Broken Connections	
Gender Inequality and Women's Equality	
Women's Equality Action Commission and Plan	\$ 0.20
Core Funding Support to Women-Centred, Community-Based Services	\$ 2.30
Expand Nontraditional Labour and Training Support for Women	\$ 6.10
Funding to Address Workplace Sexual Harassment	\$ 0.54
Monitor Implementation of Pay Equity Extension to Private Sector	\$ 0.16
African Nova Scotians, Racism and Resilience	
African NS Learning Centres	\$ 1.30
ANS Symposium	\$ 1.00
Targeted Labour Market Support	\$ 3.00
ANS Health Research	\$ 2.10
Breaking the Cycle of Poverty	
50% Increase of Total Welfare Income for Each Family Type	\$ 125.00
Increase Earnings Exemption/Lower Claw Back	\$ 8.00
Increase Affordable Living Tax Credit	\$ 10.50
Foster Social Connections	
Early Learning and Child Care System	
Primary to Grade 12 Education	
Restore Funding Cut Over Past 2 Years	\$ 30.00
Targeted Programs for African NS and Mi'kmaq Students	\$ 2.00
Study on Individualized Programming Plans	\$ 0.10
Cut Standardized Testing Budget	-\$ 1.00
Post Secondary Education	
Reduce NSCC Tuition by 50%	\$ 16.00
Increase Funding (Reverse Cuts)	\$ 30.00
Increase Funding to NSCAD	\$ 5.80

Cancel Graduate Rebate (use for up-front grants)	-\$ 15.00
Eliminate NS Portion of Student Loans (Grants)	\$ 19.00
Redirect Innovation Funding Remaining (to NSCAD)	-\$ 4.40
Eliminate Differential Fees for Out of Province Students	\$ 14.00
Cancel Debt Cap Program (redirect to Up-front Grants)	-\$ 8.10
Seek Justice, Prevent Crime	
Restorative Justice	\$ 2.50
Legal Aid	\$ 4.26
Health Care	
Hire 100 Nurse Practitioners	\$ 12.00
Open 10 New Community Health Centres and Support Existing Facilities	\$ 40.50
Dental Program for Children (up to Age 18) & Chief Dental Officer	\$ 6.14
Hire Additional Midwives	\$ 1.60
Reduce Ambulance Fees	\$ 10.00
Transgender Healthcare	\$ 0.50
Seniors Care	\$ 10.00
Mental Health, Addictions and Harm Reduction	\$ 10.00
Spatial Connections	
Housing and Homelessness	
Hire 13 Housing Support Workers Located Outside HRM	\$ 0.78
Security Retrofit Rural Housing Units for Women	\$ 0.30
Increase Funding for Non-profit Second and Third Stage Housing Programs	\$ 1.80
Establish Department of Housing and secretariat	\$ 6.00
Build Affordable Housing	\$ 60.00
Increase Funding for Existing Housing Programs — home Ownership and Repair Etc	\$ 3.00
Rent Supplements Targeted to Non-profit Providers	\$ 2.00
Housing Co-ops for Sub-Pops (Students, Artists, Etc)	\$ 1.20
Hire Additional Enforcement Officers (Health and Safety and Rent Control)	\$ 0.86
Sustainable Transportation	
NS Public Transit System: Pilot Project in Kings County	\$ 1.00
Sustainable Transportation Strategy	\$ 3.00
Technological Connections	
Investment in Broadband Access Via Community Non-Profits	\$ 0.20
Increase Funding To C@P For Public Access	\$ 0.25

Environmental Connections

Water	\$ 20.00
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Food Security

Curriculum Development	\$ 0.40
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Grants for Non-Profit Local Food Security Initiatives	\$ 0.50
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Family Farm Supports	\$ 2.00
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Rural Economic Food Initiatives	\$ 2.00
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Energy

Universal Service Program	\$ 1.50
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Energy Innovation Fund	\$ 14.00
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R&D Renewable Energy Consortium	\$ 6.80
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Expand HRM Solar City to Other Municipalities	\$ 1.25
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Cancel Your Energy Rebate	-\$ 110.00
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Cancel the Healthy Living Tax Credit	-\$ 1.80
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Total Additional Spending (Net)	\$ 368.01
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Additional Revenue

Fully Tax Capital Gains	47.70
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Restoring Lost Progressivity	94.98
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Shifting Deductions to NS Tax Credits	195.36
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Total New Revenue	\$ 338.04
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Acknowledgements

For 12 years, the Canadian Centre for Policy Alternatives-Nova Scotia has published an alternative analysis of the fiscal situation facing our provincial government. In 2012, CCPA-NS published its first municipal alternative budget for the Halifax Regional Municipality. These budgets are modelled after the CCPA's Alternative Federal Budget, which has just released its 18th edition.

The goal of an alternative budget is to make a persuasive case for how we can re-allocate or/and raise additional public funds to create a community that is socially and economically just, as well as environmentally sustainable. It is a form of popular economic education to show people how government budgeting works, that alternatives do exist, and they can help shape those alternatives. It seeks to spark debate, to provide progressive organizations and individuals with tools to advocate for social, economic, and political alternatives, and to underline the implications of budget decisions for individuals, families and communities.

Alternative Budgets provide an opportunity for a collective, broad-based approach to budget-making, and a process for building and strengthening links between and within communities. Those who participate collectively develop a set of fiscal policy measures as part of a workable budgetary framework that takes into consideration the political and economic realities of the province.

If you would like to get involved, or provide feedback, get in touch at ccpans@policyalternatives.ca

This year the Nova Scotia Alternative Budget participants were:

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Notes

1 Nova Scotia Department of Finance, *Labour Force Survey, Latest Observations*, <http://www.gov.ns.ca/finance/statistics/analysis/default.asp?id=23>, accessed March 10, 2013.

2 Ibid.

3 Statistics Canada, *Labour Force Information, February 10 to 16, Catalogue no. 71-001-X*, p. 32.

4 Julian Beltrame, Canadian are carrying more debt than ever before, *Financial Post*, December 13, 2012 <http://business.financialpost.com/2012/12/13/canadians-are-carrying-more-debt-than-ever-before/>

5 Jason Edwards and Christine Saulnier, *Atlantic Canada's Story of Inequality* www.behindthenumbers.ca

6 UNDP, Human Development Report 2011: Sustainability and Equity: A Better Future for All <http://hdr.undp.org/en/reports/global/hdr2011/summary/>

7 Catherine A. Middleton and Christine Sorenson, How connected are Canadians? Inequities in Canadian Household's Internet Access, *Canadian Journal of Communication* Vol 30 (2005): 463–483.

8 Statistics Canada, CANSIM table 358-0122

9 Food Banks Canada, *HungerCount 2012* (Toronto: Food Banks Canada, 2012).

10 Chris Benjamin, How to build a local food system, *The Coast*, July 15, 2010 <http://www.thecoast.ca/halifax/how-to-build-a-local-food-system/Content?oid=1726363>

11 Marla MacLeod and Jennifer Scott, *Is Nova Scotia Eating Local? And if not, where is our food coming from? An Education Toolkit* (Halifax: Ecology Action Centre, July 2010).