

Budget Address PROVINCE OF NOVA SCOTIA



Honourable William Gillis
Minister of Finance

Nova Scotia House of Assembly
*for the fiscal year **1997-98***

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I. INTRODUCTION

Mr. Speaker, three and a half years ago, our government stood before Nova Scotians to present our first budget. We were four months into our mandate and one thing was painfully clear—Nova Scotia was in trouble. Our deficit was \$617 million. We were borrowing every penny.

A few months later, in the Spring of 1994, we introduced our plan for recovery—*Government by Design*.

At that time we said, “If we do not take control ... now, our children will be forced to sit on the sidelines as the new world passes them by.” We said, “Our economic future can only be built on solid ground.” We said we will “clearly lay out our ... road to recovery.”

Well, we took control, we got up off the sidelines, we put Nova Scotia back on the road to recovery, and we found solid ground. Today, we are not just standing on that ground, we are building on it.

The good news is that we are building with our own hands, our own dollars. It is a future we will own, not borrow.

Today, Mr. Speaker, we have the proof. Today, I am pleased to confirm to all Nova Scotians that we have achieved our first, real budget surplus in more than 20 years. For the first time in modern memory, we are paying down the debt, not building it up. And, I am proud to say we are going to do it all over again in 1997–98.

Not only have we found fiscal sanity, we have found fiscal strength. We can focus more clearly on improving programs and building a thriving economy with jobs for Nova Scotians.

As we grow, we are improving the programs people care most about—health, education, social services. As we find the dollars, we are lowering taxes for Nova Scotians. And, we are paying down the debt.

We have achieved the best possible balance.

Mr. Speaker, this is what Budget '97 is all about: fiscal stability; economic growth; jobs for Nova Scotians; tax reductions; programs people can count on—a future we can truly call our own.

Paying down the debt

Improving programs

Lowering taxes

The best possible balance

II. ECONOMIC CLIMATE

Mr. Speaker, 17 days ago we entered a new fiscal year. But, we are doing much more than just turning a page on a calendar. We are turning the corner on our economic future.

4,000 new jobs

Throughout 1996, our economy continued to move forward. Nova Scotia's economic output grew by 0.9 per cent—modest growth. Employment grew with 4,000 new jobs in the private sector.

This year, we will move past modest and into confident. Just last month, the Bank of Montreal said that our economy will “rev up in 1997 and shift into high gear in 1998.”

*Growth of 2.1 per cent
in 1997, and 2.0 per
cent in 1998*

The country's leading financial experts agree. They all predict good growth for Nova Scotia in the next two years. Overall, the government is forecasting growth of 2.1 per cent in 1997 and 2.0 per cent in 1998. And, that forecast does not reflect the anticipated development of Sable gas.

What is contributing to this progress? A number of things.

There is the \$113-million addition to Highway 104—scheduled to open before Christmas. There is the \$750-million expansion at Stora Port Hawkesbury—heading for completion in 1998. These two undertakings alone will put more than 1,000 construction workers on the job.

In 1998, we should see construction on the Sable Offshore Energy Project. This will be the single largest project in Nova Scotia's history with investments totaling about \$3 billion. Once the project gets the final go-ahead, we will start factoring this good news into our economic forecasts.

*Nova Scotia to lead the
country in new
investments*

Nova Scotia is projected to lead the country in new capital investment in 1997. According to Statistics Canada, investment will increase by 18 per cent this year—almost four times higher than the Canadian average.

But, it is not just the mega-project that is helping Nova Scotia grow. Small business is also a major contributor. In the past two years, approximately 5,300 new corporations were registered in Nova Scotia. This is a clear sign of increased business activity, confidence, and growth in our province.

Big or small, Nova Scotia businesses are gaining strength—due in part to our package of tax reforms and credits. This strength will continue into 1997, thanks to the new input tax credit under the Harmonized Sales Tax. In simple terms, this means a business gets back 100 per cent of the tax it pays on items needed to run its business. Overall, it will lower business costs by an estimated \$170 million.

This means Nova Scotia's businesses are more competitive in the global marketplace. In fact, the province's exports have climbed almost 28 per cent since 1993. The end result is more jobs for Nova Scotians.

On that front, we are seeing improvement. There are almost 26,000 more Nova Scotians working today than there were in 1993. Just a couple of weeks ago, Statistics Canada reported that Nova Scotia had the lowest unemployment rate in Atlantic Canada at 12.8 per cent.

Based on current trends, Nova Scotia should reach record employment levels in 1997.

Although all of this is good news, it is not good enough. We have to work on improving the job situation throughout our province. We have to focus on finding lasting answers, lasting jobs for areas of high unemployment such as Cape Breton.

We want Nova Scotia to be a province of universal opportunity, a province with a fair chance for all.

III. FISCAL HIGHLIGHTS: 1996–97

The solution starts with a solid fiscal foundation.

Last year, my predecessor in Finance stood here and said that Budget '96–97 would be a balanced budget. This year, we are back to say we have delivered.

Not only have we delivered, Mr. Speaker, we have hit our first budget surplus in decades—a surplus that has surpassed our original expectations.

Today, I am pleased to announce that Nova Scotia had a budget surplus of \$4.7 million for 1996–97. That is a solid down payment on our future.

*Leading the region in
job growth and
employment*

*1996–97: Budget
surplus of
\$4.7 million*

And, Mr. Speaker, this achievement comes after setting aside one-time, special reserves for health, education, and victims of institutional abuse. These reserves total \$69 million—a wise safeguard for the future.

For the first time in over a quarter of a century, Nova Scotia is paying its own way. For the first time since my children were born, I can feel good about the fiscal future I am leaving for them.

How did we do it? Mainly, due to our growing provincial economy. People were earning more money. Business was making more profit. And, as a result, government's own revenues were up.

When we started the year, Mr. Speaker, we estimated that our net revenues would be almost \$4.2 billion. When we ended the year, we were well ahead of that estimate.

The increase in revenue was not because of a federal windfall. The additional revenue came from "own-source dollars." For instance, corporate and personal income tax was \$56 million more than expected. Lower costs in debt servicing and restructuring also meant more money for the province.

As a result of these and other measures, we realized some breathing room on the spending side of the ledger. In fact, throughout the year, we were able to direct an additional \$150 million to critical program areas.

One such area was health care—one of government's most important spending areas. Through careful fiscal planning, we were able to redirect an additional \$124 million to the health budget during 1996–97.

Part of that budget includes \$39 million as a special reserve to guard against potential recovery shortfalls.

After all was said and done, the bottom line is that Nova Scotia ended up \$4.7 million in the black—not the red, the black.

Today, I am pleased to announce that every penny of that surplus will go toward paying down Nova Scotia's debt.

Mr. Speaker, this is a first step in turning debt dollars into program dollars. It is a first step toward owning our future.

Revenues up

*Debt-servicing
costs down*

*Key program
spending increased
\$150 million*

Debt Management

In the early months of 1996, we consulted with Nova Scotians about *Shaping the Future*—our strategy for tackling Nova Scotia's debt. Today, we are winning that war, one battle at a time.

For the first time ever, proceeds from the sale of surplus Crown assets have gone to reducing our debt. In 1996–97, almost \$700,000 went toward that goal.

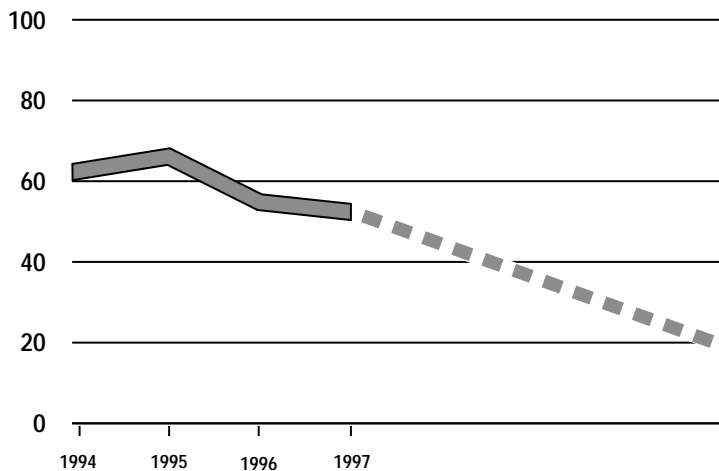
We are also winning the battle to reduce the amount of money we owe in foreign currency. We are keeping more of our debt dollars home in Canada where costs are more predictable.

Two years ago, 66 per cent of our debt was in foreign currency. Today, that number is 49.8 per cent. I should add, Mr. Speaker, that the most recent transaction, on April 9, saved us \$5.7 million. We are moving in the right direction toward our ultimate goal of 20 per cent.

Foreign currency down to 49.8 per cent

Foreign Exposure

Percentage of debt payable in foreign currency



As at March 31 of each fiscal year.

*Pension fund
improvements*

*Net direct debt down
by \$150 million—a
first since 1965*

*Rating revised
to stable*

*Surplus 1997–98
estimated at \$4 million*

We have also made substantial improvements in the performance of the province's pension funds. In the Fall of 1993, the Teachers' Pension Plan was only 55 per cent funded. We worked with the teachers' union to address that issue, and as of March 31, 1997, the plan is 82 per cent funded. Also, I am pleased to report that the Public Service Superannuation Fund has a surplus. In fact, it is 108 per cent funded.

The result of all this, Mr. Speaker, is that for the first time since 1965, the province's net direct debt will go down. When we finally close the books for the year-end, we expect our net direct debt to be reduced by more than \$150 million.

A Vote of Confidence

Last September, Nova Scotia's new-found fiscal management got a vote of confidence. The international rating agency, Standard & Poor's, revised our outlook from negative to stable.

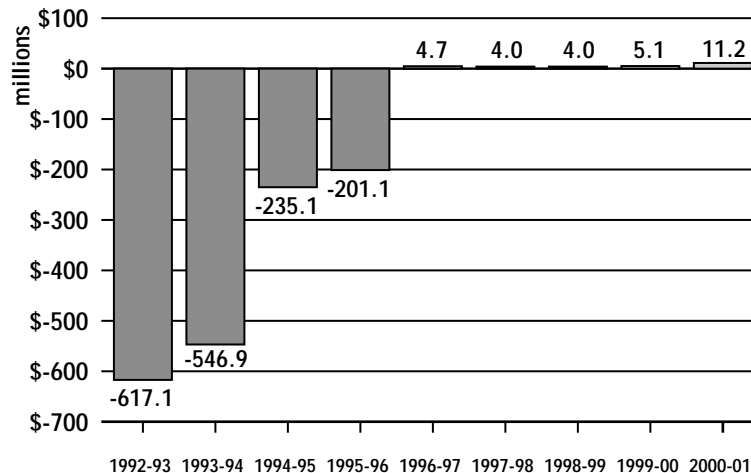
This move gives investors around the world the confidence to invest in our province and our people. And, down the road, it will make it easier to refinance our outstanding debt at a lower cost with lower interest rates. That will mean less money going to the bond traders and more money available to Nova Scotians.

IV. FISCAL PROSPECTS: 1997–98 AND BEYOND

Budget '97 will mark Nova Scotia's second straight balanced budget. We will also have our second budget surplus in a row—estimated to be \$4 million.

Budgetary Balance

1997–98 Surplus: \$4.0 Million (estimate)



Forecast for 1996–97. Fiscal projections for 1998–99 through 2000–01.

This year, because of our strong, fiscal performance, we are in the position to improve services, starting with services Nova Scotians care most about—health and education.

But, although we are getting close, we are not out of the woods yet. Over the next few years, we will need to work to keep Nova Scotia on track.

One reason for our cautious approach is the reality of less money from the federal government. The change to a new funding system known as the Canadian Health and Social Transfer will mean fewer federal dollars for Nova Scotia. In fact, between 1996–97 and the year 2000, we will take in an estimated \$466 million less than we would have under previous funding arrangements.

As well, we will collect almost \$22 million less in 1997–98 because of our personal income tax cut for Nova Scotians. Plus, the HST and related tax rebates take \$131 million from government's purse.

To offset some of this lost revenue, last year's budget introduced a Corporate Capital Tax of 0.25 percentage points on financial capital. This tax came into effect on April 1. The tax will be phased in for businesses with between \$5 million and \$10 million in financial capital. The full tax will only apply to businesses with over \$10 million. It is estimated that about 1,000 of Nova Scotia's largest businesses will pay the full tax.

Mr. Speaker, on this topic, I have some important news to report. This year, I can tell business that the Corporate Capital Tax will disappear after five years. As our economy grows stronger, the need for the tax will disappear. Mr. Speaker, I will soon be introducing legislation to reflect this commitment.

Nova Scotia is becoming much more self-reliant and resourceful. We are paying our own way. Part of paying our own way is exploring more cost-efficient ways for delivering services to Nova Scotians and spending taxpayer dollars more wisely.

This year, we are investing our savings in key programs. Over the next few years, that investment will result in lower program costs and improved services.

For example, hospital care is one of the most expensive forms of health care we provide to Nova Scotians. Investments in such programs as home care, health promotion, and tobacco control help keep people healthier and reduce the need for hospital care.

Fewer federal dollars

*Corporate Capital Tax
will disappear after
five years*

These investments can help achieve the savings we have always predicted. We will have a better health care system, at a lower cost.

We will see evidence of that as we look to the year 2000. The coming years show a relatively stable financial picture in health and overall government spending.

The good news is that programs are secure and stable. As our economy gets stronger, so will government's revenue and so will our programs.

The impact of a stronger economy will be felt by all Nova Scotians, including government employees.

For example, October 31, 1997, marks an end to the wage restraint legislation. This year, collective bargaining is back on. Government looks forward to sitting down with its unions and working out a fair deal for our employees.

As the Premier said less than a month ago, it is time to "... move confidently toward the 21st Century." There is no going back. There will be no more promises paid for with borrowed money, increased taxes, or passing debt on to our children.

I approach government's budget much the same way I approach my family's finances: be responsible; be careful; make the most of what you have; focus on priorities; and make smart investments. And, above all, do not make promises you cannot deliver.

That is what this budget is all about. That is what this government is all about.

V. INVESTING IN NOVA SCOTIA

Investing in Economic Growth and Jobs

Turning the corner on our fiscal affairs was the first step in securing Nova Scotia's future. That has happened. From day one, we knew that it was the only way to start growing the economy.

A balanced budget was never the end of the road—it was simply the path. It is the key to tax stability and tax relief, which in turn spurs economic growth and new job opportunities. Fiscal stability is the cornerstone on which we build.

Another important cornerstone for economic growth is redesigning government—cutting red tape. We are now working to eliminate, combine, and repackage many of the 300 government licences and permits needed by business. We are also working this year on a simplified fee structure.

Reducing the underground economy is another way government can help level the playing field for business.

In recent years, we have been working with the federal government and industry groups to realize this goal. As a result of our negotiations, Revenue Canada has agreed to dedicate at least 30 additional full-time employees to fight Nova Scotia's underground economy. This commitment is for a minimum of two years.

All of these efforts help create a climate that encourages private sector investment and builds confidence. We are doing everything we can to make Nova Scotia a magnet for investment and jobs—well-paying, long-lasting, high-quality jobs.

Another key part of that plan is making smart investment decisions for long-term growth.

Our Return on Investment to Date

In 1997, Nova Scotia will lead the country in capital investment growth.

What is bringing this investment to Nova Scotia? It is a long list of things—from our unrivaled quality of life, to our strategic location, to our high-quality workforce.

Government is doing everything it can to build on these natural assets.

We have adjusted our tax structures to stimulate growth. We have targeted tax credits to sectors of our economy that show real promise. This year, in the film industry alone, government will invest approximately \$6 million in tax credits. The return on that investment is a growing \$45-million film industry.

We are also continuing to support small business—the backbone of Nova Scotia's economy. In 1996–97, 350 new businesses took advantage of our Small Business Tax Holiday—a 40 per cent increase over the average from previous years. This is a sure sign of increased business activity and growth in Nova Scotia.

Through our Equity Tax Credit, this government has helped support more than 100 businesses across the province since 1994.

Cutting red tape

Fighting the underground economy

Tax credits stimulate growth

*Equity Tax Credit
extended to 2001*

Today, Mr. Speaker, I am pleased to announce that the Equity Tax Credit will be extended for four more years—to the end of 2001. This program will continue to help companies throughout our province get their start and provide jobs for more Nova Scotians.

*New 30 per cent
tax credit for
manufacturing
and processing*

New Ways to Boost Investment

Today's budget does even more to stimulate business. Today, Mr. Speaker, I am pleased to announce a new Investment Tax Credit for manufacturing and processing industries. This tax credit will attract new capital investment, both from outside the province and from businesses that are already here.

It is a 30 per cent tax credit on eligible capital investment in machinery, plant, or equipment used in Nova Scotia. The program will last five years, starting with expenditures incurred as of January 1, 1997.

The credit will be available only when a company makes a profit and pays taxes. In other words, Mr. Speaker, we are making smart investment decisions.

This tax credit will provide the most attractive incentive in Canada for investment in these sectors. We project that investment in manufacturing and processing will double over the next five years as a direct result of this program.

This means new jobs for Nova Scotians in manufacturing, construction, and related spin-off activity.

*\$1 million for
investment marketing*

In another move to boost investment, Mr. Speaker, this year government will redirect \$1 million to investment marketing. We will make sure that businesses in Europe, in the Pacific Rim, in the United States, and in the rest of the world know that Nova Scotia is a great place to do business—a great place to call home.

Investing in Our Infrastructure

*\$14.2 million extends
Infrastructure Works
Program—one year*

To attract business to Nova Scotia, we need to build our province's infrastructure. We are always working to improve it. One way is through the recent extension of the Infrastructure Works Program in partnership with the federal and municipal governments. Our government has committed \$14.2 million to extend the program for 1997–98.

Investing in Communities

Mr. Speaker, I also want to announce today that we have reached agreement with the Union of Nova Scotia Municipalities regarding an HST offset package. Tomorrow, I will be tabling legislation as part of our Financial Measures Act. This legislation will allow us to put an additional \$6 million into the hands of municipalities this year. This will rise to an annual amount of \$10 million within eight years.

Municipal governments go a long way in supporting their local communities. They must be commended for the work they have done to address the needs of their communities during challenging fiscal times. Today, Mr. Speaker, I am pleased to announce that the Government of Nova Scotia is increasing the total operating grant to municipalities by 3 per cent over last year's levels.

Investing in Rural Nova Scotia

Rural communities are the heart of Nova Scotia. They are rich in natural resources and individual talent.

This year, we will build on rural Nova Scotia's vast tourism potential by marketing the Year of Music and investing in an exciting Rails to Trails project.

Through research and development, new technology and marketing, we will add value and expand job potential in the agri-food, fishing, and forest industries.

For example, this year, aquaculture production will increase by 50 per cent.

The province will also continue its investment in forestry through the Resource Enhancement Fund. We will provide more than \$4 million in direct support, supplemented with private woodlot and industry participation. These new partnerships will provide for long-term jobs in a sustainable forest industry.

Investing in Solutions for Cape Breton

Unfortunately, Mr. Speaker, there are still areas of this province where long-term jobs are hard to come by; Cape Breton is one such area.

There are no easy answers for the unemployment situation on the island. I wish there were. There is, however, hope and a determination to find a solution.

HST offset equals additional \$6 million for municipalities

Operating grants to municipalities up 3 per cent

Resource Enhancement Fund

This government is committed to finding answers for Cape Breton. But, we cannot do it alone. Solutions require a partnership approach. The federal government and the private sector have important roles to play.

In the midst of unacceptably high unemployment, however, there are some positive signs. The province is making headway in setting the stage for future success. The University College of Cape Breton continues to show leadership by developing new programs in information technology, community economic development, and environmental science. Our first new high-tech school—a North American showpiece—has just opened in Sydney.

The anniversary of John Cabot's landing in Cape Breton will be celebrated this summer. The Year of Music will showcase Cape Breton's growing force in the national and the international music scene. New investments in tourism infrastructure in Baddeck and Cheticamp all add up to the promise of tourism growth on the island.

The new manufacturing and processing investment tax credit and the extension of the equity tax credit are expected to encourage development in Cape Breton.

The Strait industrial area is set for a major resurgence. Stora's new investments, as well as the anticipated construction of a separation plant for Sable gas, will mean new opportunities in this region.

Investing in a New Industry

The entire Sable Offshore Energy Project presents tremendous, lasting opportunities for Nova Scotians.

Already, before the project has even received final go-ahead, investment has hit the \$45 million mark. This year, that number is expected to reach \$78 million.

Overall, our challenge is to make the most out of every opportunity—and to look out for Nova Scotia's best interests.

To this end, government has redirected \$1.5 million in salaries and other monies to support the Sable project. The investment will return to us many times over, with a total expected private investment of \$3 billion.

Mr. Speaker, today, I am also pleased to announce that the Sable project can help in our efforts to pay down Nova Scotia's debt. No less than 50 per cent of net royalty revenue from Sable will be targeted directly to debt reduction. I will soon table legislation to effect this fiscally responsible action.

Lowering our debt will create lasting social and economic benefits for Nova Scotia. It will help attract investment and jobs. And, it will result in more money for the programs people care about.

VI. INVESTING IN NOVA SCOTIANS

Investing in Our Health

Health care is one such program. In fact, Nova Scotians have said health care is their number one priority. Government has listened and responded. We are investing an additional \$38.8 million in health care program spending for 1997–98.

For the first time in years, the amount of money for hospitals is not going down. Hospital budgets have stabilized. Regional Health Boards can count on stable funding for 1997–98.

That does not mean a bed might not be closed. But, if that happens, it will be because the regional boards believe there is a better way to deliver health care to Nova Scotians.

In 1997–98 we are increasing our investment in home care. An additional \$10 million for Home Care Nova Scotia increases the program's budget to almost \$70 million.

This will help improve home care's fundamental programs—home hospital and chronic home care. In simple terms, it means better service for people receiving care in their homes. In real numbers, it means more than 20,000 Nova Scotians will be served by home care in 1997. We are building a better alternative to hospital beds.

Extra funding also allows us to add new home care services, such as home oxygen. And, it allows us to start work on programs such as palliative care, occupational therapy, social work, mental health services, and orthopedics for children.

At least 50 per cent of Sable's net royalty revenue targeted to debt reduction

\$38.8 million more for health care

Hospital budgets stabilized

\$10-million increase for home care; more than 20,000 clients in 1997

*\$5 million increase for
Emergency Health
Services*

More improvements are coming to Emergency Health Services, which will see its budget increase by \$5 million. This funding will mean Nova Scotians will get to the hospital faster and safer, with more high-quality equipment and expert staff.

Another basic concept in health care is doctors for people who need them. Over the past few months, we have been out talking to Nova Scotians about how to secure doctors for communities across the province.

*Securing doctors for
Nova Scotians; budget
rises to \$274 million*

Our goal is to provide stability to physicians, doctors where they are needed, and peace of mind for the people who need them. To that end, the budget for physician services will increase from \$262 million to \$274 million.

The bottom line for 1997–98 is more money for health programs.

Investing in Opportunities for Young Nova Scotians

As time passes and our economic picture improves, we will make new investments in Nova Scotia. Investments we can afford. Investments for our children—investments for our future.

Young people are the future of this province. Unfortunately, finding that first job has become a big challenge for well-educated, young Nova Scotians. A recent report from Statistics Canada said that in 1996 one in five Canadians under 25 did not have work experience.

Government recognizes this problem. Over the past three years, 17,000 work experience jobs have been created in Nova Scotia. This year, we will do more.

*Nova Scotia Links
gets \$1.2 million boost*

Mr. Speaker, I am pleased to announce that in 1997–98, the Nova Scotia Links Program will get a \$1.2-million boost, bringing its total value up to \$3.6 million. By increasing this successful federal-provincial program, we will give students career-related work experience for the future.

Cooperative education is another proven success story. Approximately 87 per cent of post-secondary students who participate in co-op education find jobs within six months of graduation.

*\$700,000 for student
job placements*

Mr. Speaker, government will build on this success by investing \$700,000 to create more job placements for students. We will also consult with business to match student opportunities with employer needs and develop incentives to create lasting jobs.

Nova Scotia has one of the best educated workforces in the country. We want to keep it that way.

For 1997–98, we will protect university funding from the full impact of federal reductions. The province will absorb part of the reduction that would otherwise be directed at universities. The end result is operating and capital assistance of almost \$183 million.

Investing in Quality Education for Our Children

But, investing in our future starts long before university. It begins with an excellent school system for our children from day one to graduation.

Last year, at this time, we told school boards to brace for funding cuts in 1997–98. Things have turned around. This year, for the first time in four years, school boards will see a provincial-municipal funding increase of more than \$13 million.

This money will go to special education, new math, science and language programs, lease-payments for the new high-tech schools, and other education priorities. It is clear that money is not staying in the boardrooms. It is going directly to the classroom—straight to the students.

Also, in 1997–98, an additional \$1 million will be available to help maintain and operate schools—making them healthy, safe places to learn.

Every new school in Nova Scotia will be built through public-private partnerships. This means more schools will be built more quickly with leading-edge technology. Seven of these schools are now in various stages of planning and construction. Over the coming year, government will outline details of the next round of new school construction.

Investing in a Move from Welfare to Work

Mr. Speaker, for many a good education is the key to a lasting job. For others, the answer is not so simple.

Over the past three years, government has helped 1,500 Nova Scotians move from welfare to employment. That is great progress, but we think we can do better. This year, Nova Scotia will step up its efforts to help more Nova Scotians make the move to a future of employment.

*School board funding
up by \$13 million*

*\$1 million for healthy,
safe schools*

*"Bridging to Success"
moves 1,500 from
welfare to work; saves
\$1.5 million*

This year, Mr. Speaker, I am pleased to announce a dynamic, new initiative called "Bridging to Success." It will cover a wide range of options for getting people into meaningful employment.

"Bridging to Success" is a partnership of the departments of Community Services, Education and Culture, and Economic Development and Tourism. Other levels of government and the private sector are also partners.

This year alone, "Bridging to Success" will help 1,500 Nova Scotians move from welfare to work. This program is expected to save Nova Scotia taxpayers \$1.5 million in 1997-98.

The program has a number of components, including: direct job placement; targeted wage subsidy; entrepreneurship; workplace education; work experience and community programs; infrastructure development projects; worker co-ops; and skills exchange and upgrading.

That is an extensive list. Over the course of the year, various components of this progressive program will be introduced and explained to Nova Scotians.

The end result is that these efforts will boost the confidence, self-esteem, and incomes of Nova Scotians on social assistance. It will boost our economy. It will save money. And, it will give more Nova Scotians a fair shot at success.

Investing in Fair Taxation for Nova Scotians

Another way to help Nova Scotians succeed is to lower their tax burden.

*Personal income tax cut
3.4 per cent; first-ever
rate reduction*

Today, I am pleased to remind every taxpaying Nova Scotian that they will see a 3.4 per cent reduction in Nova Scotia personal income tax starting July 1.

On that day, Nova Scotia will experience the first across-the-board income tax reduction in our province's history.

This means that Nova Scotians will have the second lowest income tax rate east of Alberta. It is one of the first tangible benefits of sound financial management.

Truly, July 1 will be a good day.

Investing in Help for Low-Income Nova Scotians

Mr. Speaker a tax cut for all is good news. But, this government has never lost sight of the need to take special action to help those who really need it—low-income Nova Scotians. While other provinces reduced welfare budgets, we did not. While others cut benefits, we cut taxes.

Mr. Speaker, last year this government provided about \$12 million in tax relief to 155,000 low-income Nova Scotians and their families. In 1997, this Low-Income Tax Reduction Program will get richer—reaching a total value of \$25 million for the fiscal year. This means we will help nearly 220,000 Nova Scotians. The basic reduction will increase from \$200 to \$300 for individuals and from \$105 to \$165 for each child.

However, a number of Nova Scotians have incomes so low that they will not benefit from this program. To help remedy this, the government has introduced the Direct Assistance Program. A total of \$8 million will be directed to working and retired low-income Nova Scotians.

A family with a net annual income of \$16,500 or less will qualify for a payment of \$125 under the program. An individual with a yearly net income of \$9,500 will qualify for a \$90 direct benefit.

It is estimated that 77,000 Nova Scotians—20,000 of them seniors—will benefit from the program.

Investing in Children and Families

A large number of Nova Scotians will also see benefits from the new National Child Benefit Program, announced in the recent federal budget. Part of that announcement was an extra \$600 million to increase existing spending under the Child Tax Credit. Full implementation is scheduled for July 1998. At present, we are negotiating with the federal government to ensure Nova Scotians get maximum benefits from this measure.

On the provincial front, additional subsidized day care spaces will be added to support children, remove barriers to employment, and enhance employment equity.

This government has increased the number of subsidized spaces by 150 since 1993, and 50 more will be added this year. A total of 2,300 children will have access to appropriate early childhood education thanks to these provincial subsidies.

Low-income Tax Reduction Program totals \$25 million; helps more Nova Scotians

\$8 million direct assistance to low-income Nova Scotians

50 more subsidized day care spaces; four-year total reaches 200

*Residential
Rehabilitation
Assistance Program
extended*

Mr. Speaker, in another move to help families, I am pleased to announce that the Residential Rehabilitation Assistance Program has been extended for one year. In the last three years, the program has helped put safe roofs over the heads of 2,600 families and individuals. This year, the program will provide almost \$4 million to address health and safety hazards in homes across the province.

Investing in Our Culture and Heritage

*Tax rebate on heritage
properties revived*

Home repairs take on added meaning when you are dealing with registered heritage properties. Today, Mr. Speaker, I am pleased to announce that we have revived our tax rebate program for work on these unique properties. Nova Scotians will now be able to reclaim the provincial portion of the HST, related to the costs of restoring and maintaining heritage properties. As a result, the history and character of our communities will be richer.

*\$1.3 million invested in
the arts*

Another addition to our rich cultural heritage is the new Nova Scotia Arts Council—established earlier this month. Starting in 1997–98, \$1.3 million will be invested annually to support musicians, painters, actors, and all professional artists throughout our province.

VII. CONCLUSION

*Budget '97: The
turning point*

Mr. Speaker, Budget '97 marks a turning-point. It is about responsible spending. It is about securing programs that people care about, such as education and health care that people can count on. Budget '97 is about building a thriving economy with jobs for Nova Scotians. It is about improving our excellent quality of life.

But, more than anything, Mr. Speaker, Budget '97 is about paying our own way. It is about creating our own destiny—owning our own future.

Mr. Speaker, my ancestors came to Nova Scotia in the early 1800s. They came looking for new opportunities and a better way. Today, almost 200 years later, Nova Scotia is even more so a land of hope, a land of new opportunities. It is a place where people are resourceful and self-reliant. It is a province that I am proud to call home.

*A future
we own*

And, Mr. Speaker, it will be a well-constructed home, a home we can afford. We had a choice, we could owe our future, or we could own our future. We made the choice. Today, the future of Nova Scotia is ours—ours to own.

Thank you, Mr. Speaker.

TOTAL ORDINARY REVENUES 1997-98
Key Assumptions – April 14, 1997



1888 Brunswick Street
Suite 302
Halifax, Nova Scotia
B3J 3J8

Report of the Auditor General to the House of Assembly on the Estimates of Revenue for the Fiscal Year 1997-98 Used in the Preparation of the Budget Address

I am required by Section 65A of the Provincial Finance Act to provide an opinion on the reasonableness of the estimates of revenue used in the preparation of the annual Budget Address of the Minister of Finance to the House of Assembly.

The estimates of revenue for the fiscal year 1997-98 (the 1997-98 revenue estimates) are the responsibility of the Department of Finance and have been prepared by departmental management using assumptions with an effective date of April 14, 1997. I have examined the support provided by the department for the assumptions, and the preparation and presentation of the 1997-98 revenue estimates of \$4,240,674,000 for total ordinary revenue. My examination was made in accordance with the applicable Auditing Guideline issued by the Canadian Institute of Chartered Accountants. I have no responsibility to update this report for events and circumstances occurring after the date of my report.

In my opinion:

- as at the date of this report, the assumptions used by the department are suitably supported and consistent with the plans of the Government, as described to us by departmental management, and provide a reasonable basis for the 1997-98 revenue estimates; and
- the 1997-98 revenue estimates as presented reflect fairly such assumptions.

Since the 1997-98 revenue estimates are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, although I consider the 1997-98 revenue estimates to be reasonable, I express no opinion as to whether they will be achieved.

A handwritten signature in cursive script, appearing to read "E.R. Salmon".

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
April 14, 1997

<i>Revenue Sources</i> (\$ Thousands)	<i>Estimate</i> 1996–97	<i>Forecast</i> 1996–97	<i>Estimate</i> 1997–98
Personal Income Tax	902,012	951,529	939,079
Corporate Income Tax	106,200	112,310	113,044
HST ¹	749,200	739,700	668,879
Tobacco Tax	85,000	86,000	75,800
Motive Fuel Tax	199,400	199,400	199,500
Liquor Commission Profits	114,529	116,260	116,693
Gaming Corporation Profits	131,325	131,325	143,024
Equalization	1,147,906	1,115,691	1,149,788
Canada Health and Social Transfer	529,022	536,412	437,771
HST Transitional Assistance	0	0	118,600
Other Sources	213,467	213,736	278,496
Prior Years' Adjustments	0	49,534	0
Total Ordinary Revenue	4,178,061	4,251,897	4,240,674

1) For the fiscal year 1996–97, HST refers to the Provincial Health Services Tax. For the 1997–98 fiscal year, HST refers to the Provincial Harmonized Sales Tax, net of rebates of \$13.2 million.

Key Assumptions – April 14, 1997

Economic and Revenue Outlook

The revenue estimates of the province are a key component of the Fiscal Plan. In 1997–98, the province is estimating a decline in ordinary revenue of \$11.2 million from the 1996–97 forecast. The key economic and fiscal assumptions behind the 1997–98 budget estimates are detailed in the following paragraphs.

Economic Outlook

National Economic Conditions

The Canadian economy's performance in 1996 was weaker than forecasters had expected. Both GDP and employment grew at a pace well below the economy's potential, and the unemployment rate remained high at 9.7 per cent.

The export trade sector remained a bright spot. As expected, however, the rate of growth of exports moderated from the peak of 1995. Consumer demand remained constrained by slow employment and income growth, high debt loads, and concerns about job prospects. Tight fiscal

policy, represented by cutbacks in government spending and employment, continued to act as a drag on economic performance.

Against these weak economic conditions, the Bank of Canada moved aggressively to lower interest rates throughout the year. Rates dropped to their lowest levels in four decades in an attempt to stimulate private sector spending.

At year end, signs of strengthening in the US and Canadian economies emerged, including low interest rates, continued trade growth, and new life in consumer spending. Nova Scotia Finance expects the Canadian economy to grow by 2.7 per cent in 1997 and 2.5 per cent in 1998. The Canadian economy is expected to add 200,000 jobs in 1997. However, the unemployment rate will fall only gradually as better prospects for employment lure more Canadians into

the job market. Corporate profits are expected to resume growth in 1997 after pausing at high levels in 1996.

Personal income growth buoyed by increases in the number of employed should accelerate over the short term. Consumer confidence, which showed signs of improvement in the last part of 1996, should be reflected in retail sales. Retail sales growth is projected to keep in step with personal income growth as savings rates are at historical lows. In company with favourable mortgage rates, increased employment and income prospects are expected to push housing starts up for 1997 and 1998.

Canada's solid economic fundamentals and substantial output gap are favourable for sustained economic growth. Over the short term, however, growth could be restrained somewhat by monetary response to the evident strength of the US economy.

The key national economic forecast assumptions incorporated into the Budget are displayed in the schedule below.

Provincial Economic Conditions

As with the Canadian economy, Nova Scotia's economic performance was weaker than expected in 1996. Higher output and employment growth

are anticipated for 1997 and 1998. In addition to improvement in general economic conditions, the implementation of tax reform measures will provide further impetus to the province's economy.

Total economic activity, as represented by Real Domestic Product, is forecast to increase by 2.1 per cent, compared to 0.9 per cent in 1996. Continued levels of export trade activity, increased non-residential construction, and improved confidence are factors contributing to the outlook. Job growth showed renewed vigour into the first quarter of 1997. Also, the participation rate increased, moving the labour force to a new plateau. As a result, the unemployment rate is expected to edge up in 1997.

Personal income growth will strengthen from employment gains and improvement in wages and salaries, supported by the increase in the minimum wage. Personal disposable income should move up at a faster rate because of the 3.4 per cent reduction in the personal income tax rate and the enhanced Low Income Tax Reduction. As a result, retail spending is expected to grow just over 3 per cent annually over the short term.

<i>National Forecast Assumptions</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
Real Domestic Product, 1986\$ (% Increase)	1.5	2.7	2.5
Gross National Product (% Increase)	2.9	4.4	4.4
Canadian Exchange Rate (US\$/C\$)	0.733	0.735	0.758
Consumer Price Index (% Increase)	1.6	1.9	2.0
Employment (thousands)	13676	13880	14160
Unemployment Rate (%)	9.7	9.6	9.2
Personal Income (% Increase)	2.0	3.4	4.1
Corporate Profits before Tax (% Increase)	0.2	6.4	4.1
Retail Sales (% Increase)	2.2	3.5	4.0
Exports (% Increase)	4.0	4.3	4.3
3-Month Treasury Bill (%)	4.3	4.0	5.0
Population (% Increase)	1.2	1.1	1.1

Source: Statistics Canada (actuals), Nova Scotia Department of Finance (projections). 3-Month Treasury Bill and Canadian Exchange Rate is an average of weekly Friday closing rates as reported by the *Globe and Mail* for the calendar year.

<i>Provincial Forecast Assumptions</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
Real Domestic Product (Billion 1986\$)	13.3	13.6	13.9
Real Domestic Product, 1986\$ (% Increase)	0.9	2.1	2.0
Consumer Price Index (% Increase)	1.8	2.0	2.0
Employment Level (Thousand)	385	390	392
Unemployment Rate (%)	12.6	12.9	12.8
Personal Income (% Increase)	1.1	2.8	2.8
Corporate Profits before Tax (% Increase)	2.0	5.7	5.5
Retail Sales (% Increase)	6.6	3.4	3.1
Exports (% Increase)	4.1	2.9	2.9
Population (% Increase)	0.5	0.4	0.4

Source: Statistics Canada (actuals), Nova Scotia Department of Finance (estimates and projections).

Corporate profits follow the overall performance of the economy and should therefore show stronger growth in 1997. In addition, business profits before taxes will get a one-time lift from the increased Input Tax Credits arising from sales tax harmonization.

Investment expenditure is anticipated to be strong in 1997, as further increases are propelled by an expected increase in spending on machinery and equipment. Consequently, the construction sector will perform at a high level of activity, following the accelerated growth set in motion by the start of Highway 104 construction and the Stora plant expansion in the second quarter of 1996.

A rebound in growth in the transportation and communications industries is expected in 1997, as containerized cargo handling is forecast to resume the rapid growth rate of recent years. Wholesale and retail trade, and business and personal services sectors are expected to continue to be strong RDP performers, as they benefit, overall, from the implementation of tax reform measures. Current capacity conditions in the resources sectors and continued fiscal policy restraint hold the economy back from performance above the forecast rate of growth.

Business service firms continue to benefit in 1997 from pre-development activity in offshore energy. However, in the forecast underlying the Budget, construction work on the Sable Offshore Energy Project and transmission pipeline is not factored into the outlook for output and employment growth, pending a definitive decision to proceed with development.

The key economic assumptions are presented in the schedule above. The output of the provincial economy is reported on the basis of Real Domestic Product at Factor Cost in order to put 1996 and 1997 data on a comparable basis, to reflect underlying growth in the economy.

Revenue Outlook 1997-98

Total ordinary revenues for 1997-98 are estimated to be \$4,241 million, an increase of 1.5 per cent over the 1996-97 budget estimate. The decline relative to the 1996-97 forecast is due to the addition of prior years' adjustments to 1996-97, rather than any negative revisions to the estimate year.

Harmonized Sales Tax (HST) revenues are estimated to total \$682.1 million before rebates in 1997-98. The Harmonized Sales Tax became effective April 1, 1997, replacing the former Health Services Tax and the Amusement Tax. As a result of harmonization, the

province is expected to collect less in sales tax revenue. Under the terms of the negotiated harmonization agreement, participating provinces have received transitional assistance from the federal government to help offset the anticipated losses over a four-year period. The total amount of assistance received by Nova Scotia amounted to \$249 million. The Government of Canada has provided no restrictions to the Province in recognizing into revenue this assistance. In the absence of this, the province intends to recognize revenue for accounting purposes equal to the estimated revenue loss in sales tax as a result of harmonization.

Health Services Tax and Amusement Tax revenues combined were estimated to have totaled \$800.1 million in 1997–98, had harmonization not taken place. Thus, the revenue loss due to harmonization is estimated to equal approximately \$118.6 million, representing a 14.7 per cent drop in sales tax revenues in 1997–98. As a result of this anticipated loss, the Province has recognized transitional assistance of \$118.6 million in revenues for 1997–98. While this represents a substantial portion of the total assistance, it is anticipated that as the benefits of harmonization accrue, the revenue gap between the two sales tax systems in each successive year of the transition period will close, requiring less transitional revenue to be recognized. As part of the harmonization package, the Province will provide rebates of HST on a number of items including books, new housing, tourism, and emergency fire vehicles. These rebates, which have an estimated cost of \$13.2 million in 1997–98, were provincial policy decisions and do not factor into the transitional assistance calculation.

Tobacco tax revenues are estimated to total \$75.8 million in 1997–98, resulting in a 15.8 per cent drop over the status quo forecast for 1997–98. The status quo forecast for 1997–98 would have been approximately \$90 million. As part of harmonization, effective April 1 the Province opted to achieve price neutrality by reducing tobacco tax rates accordingly. The current forecast for 1996–97 is \$86 million. This includes a \$1 million increase over the original 1996–97 Budget estimate due to tobacco tax rate increases effective November 29, 1996. These rate increases would have added approximately \$5 million in tobacco tax revenues on an annual basis in 1997–98.

Motive fuel tax revenues are projected to total \$199.5 million in 1997–98. This represents a 0.1 per cent increase over the 1996–97 Budget estimate, which is \$199.4 million. Motive fuel tax revenues are directly proportional to consumption. Consumption of motive fuels is expected to remain flat as a result of an 8 per cent increase in prices due to harmonization. Consumption is linked to economic growth and motive fuel prices. Consumption is not expected to decline, because growth in Gross Domestic Product, a measure of economic output, is forecast to increase 2.1 per cent in 1997 and 2.0 per cent in 1998. Year-to-date figures suggest that 1996–97 revenues could top \$201 million, barring any large negative year-end adjustments. Thus, 1997–98 revenues are likely to fall by 0.7 per cent. This expected revenue decline is a result of harmonization's impact on motive fuel prices. Though they are expected to improve, exchange rates are expected to remain low and should help buoy tourism, manufacturing, and transportation activity. Continued growth in these areas will stimulate use of motive fuel, helping to offset the negative impact of expected motive fuel price increases.

Personal Income Tax is the single largest source of Nova Scotia's own source revenues. In 1996–97, the province received a positive prior year adjustment (PYA) of \$34.9 million in respect of the 1995 tax year. In 1997–98, personal income tax is estimated to decline from its forecasted 1996–97 level of \$951.5 million to \$939.1 million, a drop of \$12.4 million or 1.3 per cent. This drop is primarily due to provincial income tax measures, including the 3.4 per cent drop in the Nova Scotia income tax rate from 59.5 per cent to 57.5 per cent and enhanced support in the income tax system for low income earners.

Corporate Income Tax in 1996–97 includes a positive prior year adjustment (PYA) of \$30.5 million in respect of the 1995 tax year. This PYA was primarily a function of significant growth in corporate profits over the previous year and an increased share of corporate income tax from larger corporations, which are taxed at the higher corporate taxation rate. In 1997–98, Nova Scotia corporate taxable income is expected to experience slight growth, resulting in a rise over 1996–97 corporate income tax revenues.

Fiscal Equalization revenue is estimated to increase by 3 per cent over the forecast to \$1,149.8 million. Equalization revenues reflect revised tax base and revenue information as of April 8, 1997. The 1996–97 prior years' adjustments are reduced by \$6.7 million for Equalization. The largest adjustments to prior years reflect growth in Nova Scotia's retail sales tax base relative to the program standard. The estimate for the upcoming year incorporates revenue detail from four of the five standard provinces, which results in an entitlement marginally higher than the current federal official estimate.

The Canada Health and Social Transfer cash entitlement for Nova Scotia is estimated to be \$437.8 million in 1997–98. The total provincial entitlement reflects the provincial allocation of a fixed national entitlement. The cash estimate reflects internal assumptions on the levels of personal and corporate income tax. The 1996–97 forecast includes a PYA of \$9.2 million.

Nova Scotia Liquor Commission Profits are estimated to be \$116.7 million in 1997–98, an increase of 0.4 per cent from the 1996–97 forecast. The fairly flat growth for the estimate reflects no anticipated growth in alcohol consumption.

Nova Scotia Gaming Corporation profits are expected to increase by 8.9 per cent above the forecast for the previous year. The budget submitted by the Nova Scotia Gaming Corporation and the estimate used by the Province differ by \$10.4 million. The Province has included in its estimate certain revenue generating initiatives which while approved in principal, have not yet been incorporated into the corporation's budget.

Additional Information

In addition to the key economic and fiscal assumptions contained in the 1996–97 revenue estimates, the following information should also be taken into account when interpreting the revenue estimates.

The revenue estimates are considered to have been prepared on a basis consistent with accounting policies currently used by the Province to record and/or recognize revenue for purposes of its traditional non-consolidated financial statements. It is acknowledged that the provincial estimates, including revenue estimates, provide information only on the consolidated fund.

The Department of Finance and other departments or agencies of the province have prepared their specific revenue estimates for 1997–98 using a combination of current internal and external models and other information available. Every effort has been taken to ensure the integrity of the results of the models and other information. As actual or more current information becomes available, adjustments may be necessary to the projection of revenues

The revenue forecast to be received through federal transfer payment programs pursuant to the Federal-Provincial Fiscal Arrangements Act incorporate official information released by the Federal government as of February 18, 1997. Information currently available indicates that the Province will not qualify for stabilization payments during 1997–98. Prior Years' Adjustments are normally made to federal transfers and to income tax revenues. Current official information indicates there will not be any material Prior Years' Adjustments that have not already been taken into account.

Recoveries of expenditures, under various federal-provincial agreements or from other departments or entities, and user fees have been estimated and netted against departmental expenditures for purposes of approval of appropriations of 1997–98.

Any and all impacts or implications of the government's actions or plans to reduce or further control public sector expenditures have been fully considered and appropriately reflected in the specific revenue estimates.

FINANCIAL AND SUPPLEMENTARY INFORMATION
to the Budget Address 1997–98

BUDGETARY SUMMARY (\$'000)*Schedule 1*

<i>ACTUAL</i> 1995-96	<i>ESTIMATE</i> 1996-97	<i>FORECAST</i> 1996-97		<i>ESTIMATE</i> 1997-98
4,237,034	4,178,061	4,251,897	Ordinary Revenue	4,240,674
3,294,760	3,202,514	3,341,689	Net Current Account Expenditures	3,305,270
45,585	38,600	35,649	Restructuring Costs	31,510
317,603	159,175	172,494	Net Capital Account Expenditures	172,642
3,657,948	3,400,289	3,549,832	Net Program Expenditures	3,509,422
896,588	896,871	820,012	Debt Servicing Costs	855,180
116,400	121,900	122,700	Sinking Fund Earnings	127,900
780,188	774,971	697,312	Net Debt Servicing Costs	727,280
(201,102)	2,801	4,753	Budgetary Surplus (Deficit)	3,972

NOTE: In the 1996-97 Estimate, federal funding provided under the new Canada Health and Social Transfer program is included in Ordinary Revenue. For comparability purposes, the funding received under the Canada Assistance Plan has been restated as Ordinary Revenue in the 1995-96 Actual. Originally, these funds were stated as a recovery of expenditures in these years. The effect of these changes is an increase in revenue and a corresponding increase in expenditures of \$268.485 million in the 1995-96 Actual.

ORDINARY REVENUE — SUMMARY (\$'000)

Schedule 2

<i>ACTUAL</i> 1995-96	<i>ESTIMATE</i> 1996-97	<i>FORECAST</i> 1996-97	<i>DEPARTMENT AND SERVICE</i>	<i>ESTIMATE</i> 1997-98
558	515	511	Agriculture and Marketing	515
---	1,141,262	1,132,751	Business and Consumer Services	384,726
651	1,011	801	Economic Development and Tourism	801
1,122	1,339	1,227	Environment	1,339
4,102,588	2,996,788	3,077,872	Finance	3,821,286
45	669	708	Fisheries and Aquaculture	669
1,265	---	---	Health	---
37,236	---	---	Housing and Consumer Affairs	---
9,554	9,567	9,500	Housing and Municipal Affairs	9,500
6,398	1,937	1,948	Justice	1,933
531	665	658	Labour	768
11,830	9,750	11,314	Natural Resources	8,321
9,210	14,558	14,607	Public Service	10,816
56,046	---	---	Transportation and Public Works	---
4,237,034	4,178,061	4,251,897		4,240,674

NOTE: In the 1996-97 Estimate, federal funding provided under the new Canada Health and Social Transfer program is included in Ordinary Revenue. For comparability purposes, the funding received under the Canada Assistance Plan has been restated as Ordinary Revenue in the 1995-96 Actual. Originally, these funds were stated as a recovery of expenditures in these years. The effect of these changes is an increase in revenue of \$268.485 million in the 1995-96 Actual.

NET CURRENT ACCOUNT EXPENDITURES — SUMMARY (\$'000)

Schedule 3

<i>ACTUAL</i> 1995-96	<i>ESTIMATE</i> 1996-97	<i>FORECAST</i> 1996-97	<i>DEPARTMENT AND SERVICE</i>	<i>ESTIMATE</i> 1997-98
35,767	32,112	32,055	Agriculture and Marketing	32,102
—	36,716	35,078	Business and Consumer Services	38,063
539,291	539,537	545,040	Community Services	548,245
69,270	69,560	69,560	Economic Development and Tourism	72,862
738,785	734,212	736,172	Education and Culture	742,727
194,762	184,015	183,375	Assistance to Universities	178,161
17,034	16,463	16,620	Environment	18,053
14,140	9,342	8,799	Finance	9,666
8,172	6,290	6,250	Fisheries and Aquaculture	6,144
1,225,067	1,143,619	1,263,449	Health	1,273,359
22,311	---	---	Housing and Consumer Affairs	---
56,539	75,449	75,408	Housing and Municipal Affairs	77,537
4,006	4,051	3,941	Human Resources	4,032
102,963	73,754	89,118	Justice	75,257
15,516	15,613	14,831	Labour	10,838
51,276	53,656	53,387	Natural Resources	57,099
43,323	47,476	45,527	Public Service	45,248
50,118	---	---	Supply and Services	---
106,420	160,649	163,079	Transportation and Public Works	157,877
---	---	---	Unallocated Recoveries	(42,000)
3,294,760	3,202,514	3,341,689		3,305,270

NOTE: In the 1996-97 Estimate, federal funding provided under the new Canada Health and Social Transfer program is included in Ordinary Revenue. For comparability purposes, the funding received under the Canada Assistance Plan has been restated as Ordinary Revenue in the 1995-96 Actual. Originally, these funds were stated as a recovery of expenditures in these years. The effect of these changes is an increase in expenditures in the Department of Community Services of \$256.845 million in the 1995-96 Actual. Also, expenditures in the Department of Health increase by \$11.640 million in the 1995-96 Actual.

NET CAPITAL ACCOUNT EXPENDITURES — SUMMARY (\$'000)

Schedule 4

<i>ACTUAL</i> 1995-96	<i>ESTIMATE</i> 1996-97	<i>FORECAST</i> 1996-97	<i>DEPARTMENT AND SERVICE</i>	<i>ESTIMATE</i> 1997-98
400	400	330	Agriculture and Marketing	---
180	1	1	Economic Development and Tourism	1
32,050	34,508	47,884	Education and Culture	29,036
4,819	4,819	4,419	Assistance to Universities	4,819
660	2,370	1,951	Environment	---
48,486	18,560	22,845	Health	12,738
55,356	15,000	17,908	Housing and Municipal Affairs	25,726
518	548	548	Justice	---
6,481	200	200	Natural Resources	200
---	2,029	2,029	Public Service	2,158
37,021	---	---	Supply and Services	---
131,893	80,740	74,379	Transportation and Public Works	97,964
(261)	---	---	Proceeds on Disposal of Capital Assets	---
317,603^(A)	159,175	172,494		172,642

(A) Includes approved Carry-Forwards from 1994-95 Fiscal Year totalling \$38.256 million.

STATUTORY CAPITAL ITEMS — SUMMARY (\$'000)

Schedule 5

ACTUAL 1995-96	ESTIMATE 1996-97	FORECAST 1996-97		ESTIMATE 1997-98
			CAPITAL ADVANCES AND INVESTMENTS	
			for which no Vote is required under the Appropriations Act.	
			The following is given for information as to the proposed	
			program under the respective statutes.	
			ADDITIONAL ADVANCES AND INVESTMENTS(A)	
8,991	9,000	11,000	1. Fisheries Development Fund	11,000
21,044	13,002	13,797	2. Housing Development Fund	8,768
848	11,000	6,000	3. Industrial Development Act	66,200
22,860	63,500	25,000	4. Nova Scotia Business Development Corporation	54,300
21,340	23,000	23,000	5. Nova Scotia Farm Loan Board	30,000
75,083	119,502	78,797		170,268
			REPAYMENTS(A)	
9,736	8,000	13,500	1. Fisheries Development Fund	8,000
18,968	12,352	16,858	2. Housing Development Fund	17,887
1,102	500	1,500	3. Industrial Development Act	2,000
137	92	92	4. Municipal Hospitals Loan Act	85
563	536	554	5. Municipal Loan and Building Fund Act	428
14,899	15,200	18,400	6. Nova Scotia Business Development Corporation	15,000
19,906	16,218	16,218	7. Nova Scotia Farm Loan Board	30,000
62	40	150	8. Venture Corporations Act	---
1,293	1,250	1,035	9. Miscellaneous	676
66,666	54,188	68,307		74,076
8,417	65,314	10,490	Net Capital Advances and Investments	96,192
2,587	2,700	3,001	Department of Transportation ⁽¹⁾	3,300
			and Public Works machinery purchases	
			financed through depreciation charges	

(A) Spending Authority contained in the following Statutes. Borrowing provided for under the Appropriations Act.

1. Fisheries Development Act, Chapter 174 RS/89
2. Housing Act, Chapter 211 RS/89
3. Industrial Development Act (Industrial Expansion Fund), Chapter 222 RS/89
4. Municipal Hospitals Loan Act (Municipal Hospital Loan Fund), Chapter 303 RS/89
5. Municipal Loan and Building Fund Act, Chapter 305 RS/89
6. Nova Scotia Business Development Corporation Act, Chapter 49 RS/89
7. Agriculture and Rural Credit Act (Nova Scotia Farm Loan Board), Chapter 7 RS/89
8. Venture Corporations Act, Chapter 488 RS/89
9. Includes miscellaneous advances and repayments

(1) Spending Authority contained in the Public Highways Act.

HISTORICAL ANALYSIS OF ORDINARY REVENUES BY SOURCE

Schedule 6

	1993-94	1994-95	1995-96	FORECAST 1996-97	ESTIMATE 1997-98
REVENUES BY SOURCE					
Provincial Sources					
(thousands of dollars)					
Personal Income Tax	909,636	883,197	888,376	986,411	939,079
Corporate Income Tax	73,396	107,880	88,596	142,799	113,044
Health Services Tax	684,763	735,391	746,610	739,700	668,879
Tobacco Tax	90,151	60,423	67,712	86,000	75,800
Motive Fuel Taxes	175,967	195,633	197,486	199,400	199,500
Liquor Commission Profits ¹	71,746	67,205	113,175	116,260	116,693
Gaming Corporation Profits ²	72,376	92,768	121,931	131,325	143,024
Interest Revenues ³	47,514	54,466	38,481	38,052	33,664
Registry of Motor Vehicles	58,624	70,990	56,046	57,350	56,200
Other Provincial Sources	139,477	107,085	103,164	113,615	185,615
Federal Sources					
(thousands of dollars)					
Equalization	863,602	1,091,488	1,162,520	1,109,026	1,149,788
Established Programs Financing	358,105	392,256	357,405	-	---
Canada Health and Social Transfer ⁴	-	-	-	527,240	437,771
Other Federal Sources	2,306	2,077	27,047	4,719	3,017
Federal Compensation for Harmonization	-	-	-	-	118,600
Canada Assistance Plan	263,716	270,303	268,485	-	-
Total Ordinary Revenues	3,811,379	4,131,162	4,237,034	4,251,897	4,240,674

REVENUES BY SOURCE

Provincial Sources

(as a percentage of Total Ordinary Revenues)

Personal Income Tax	23.9%	21.4%	21.0%	23.2%	22.1%
Corporate Income Tax	1.9%	2.6%	2.1%	3.4%	2.7%
Health Services Tax	18.0%	17.8%	17.6%	17.4%	15.8%
Tobacco Tax	2.4%	1.5%	1.6%	2.0%	1.8%
Motive Fuel Taxes	4.6%	4.7%	4.7%	4.7%	4.7%
Liquor Commission Profits ¹	1.9%	1.6%	2.7%	2.7%	2.8%
Gaming Corporation Profits ²	1.9%	2.3%	2.9%	3.1%	3.4%
Interest Revenues ³	1.2%	1.3%	0.9%	0.9%	0.8%
Registry of Motor Vehicles	1.5%	1.7%	1.3%	1.3%	1.3%
Other Provincial Sources	3.6%	2.6%	2.5%	2.7%	4.3%

Federal Sources

(as a percentage of Total Ordinary Revenues)

Equalization	22.7%	26.4%	27.4%	26.1%	27.1%
Established Programs Financing	9.4%	9.5%	8.4%	0.0%	0.0%
Canada Health and Social Transfer ⁴	0.0%	0.0%	0.0%	12.4%	10.3%
Other Federal Sources	0.1%	0.1%	0.6%	0.1%	0.1%
Federal Compensation for Harmonization	0.0%	0.0%	0.0%	0.0%	2.8%
Canada Assistance Plan ⁴	6.9%	6.5%	6.3%	0.0%	0.0%

Total Ordinary Revenues

100.0 100.0 100.0 100.0 100.0

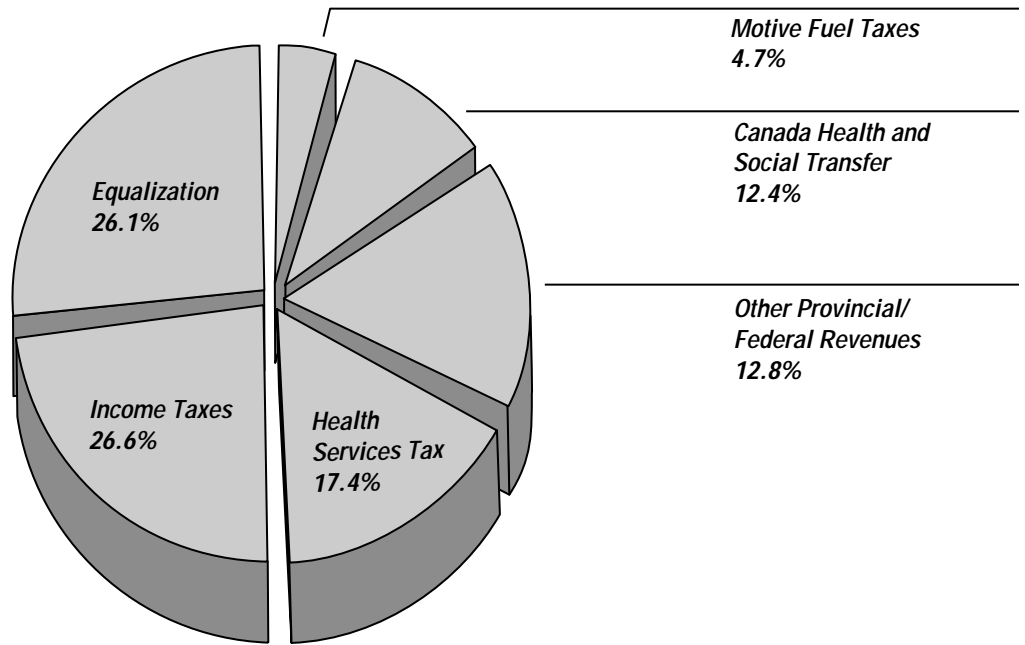
NOTE: Ordinary Revenues include Prior Years' Adjustments.

- 1 In years prior to 1995-96 the cost of maintaining the RCMP was netted against Nova Scotia Liquor Commission Profits.
- 2 Nova Scotia Gaming Corporation Profits include Nova Scotia Lottery Commission Profits. (Formerly part of Other Provincial Sources)
- 3 Beginning in 1995-96, Interest on Short Term Investments will no longer be included in Interest Revenue. Rather it will be netted against Short Term Borrowing Costs included in Debt Servicing Costs.
- 4 In the 1996-97 Estimate, federal funding provided under the Canada Health and Social Transfer is included in Ordinary Revenue. For comparability purposes, the funding received under the Canada Assistance Plan has been restated as Ordinary Revenue in the Actuals for 1993-94 through 1995-96.

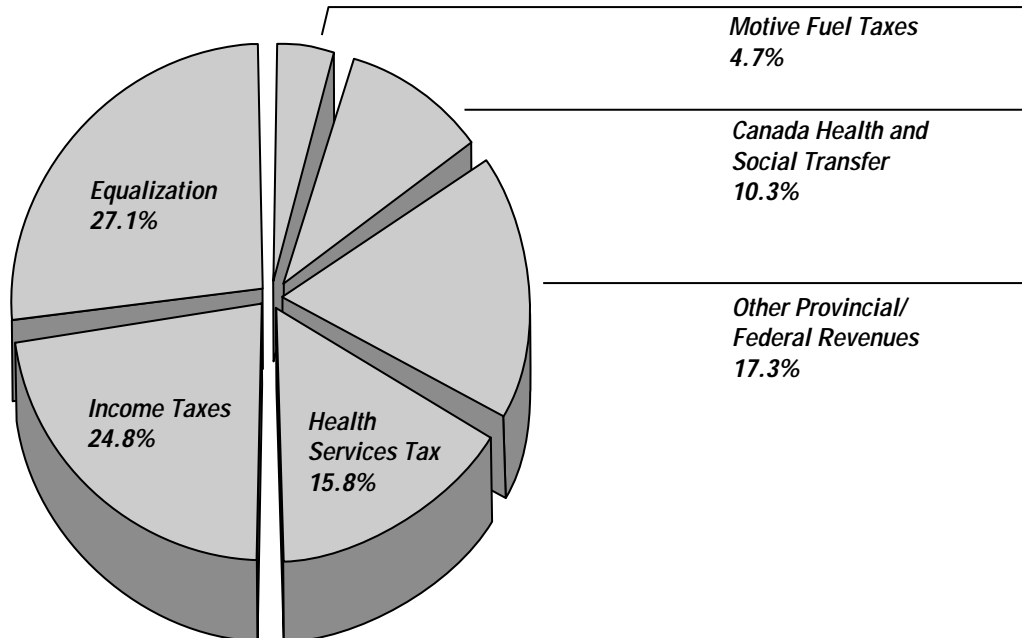
ORDINARY REVENUES BY SOURCE

Chart 1

1996-97



1997-98



NOTE: Ordinary Revenues include Prior Years' Adjustments.

HISTORICAL ANALYSIS OF TOTAL NET EXPENDITURES BY FUNCTION

Schedule 7

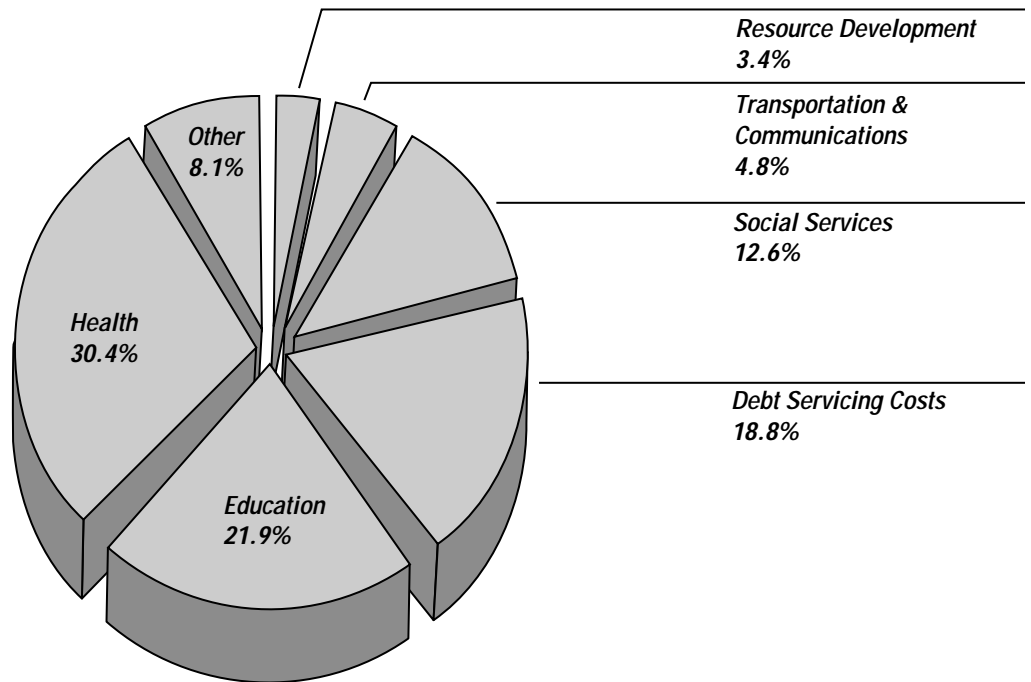
	1993-94	1994-95	1995-96	FORECAST 1996-97	ESTIMATE 1997-98
Function					
(thousands of dollars)					
General Government	117,418	111,052	109,442	105,255	122,624
Public Protection	107,676	113,871	162,616	142,296	132,884
Transportation and Communications	259,538	220,636	241,310	210,068	209,278
Resource Development	175,765	167,003	167,947	147,944	151,799
Health	1,273,025	1,273,596	1,329,658	1,328,778	1,306,905
Social Services	536,856	526,512	544,450	550,839	541,442
Education	1,005,308	1,003,083	963,562	958,655	930,770
Culture and Recreation	42,490	39,476	36,782	37,979	37,415
Municipal Affairs	95,639	109,248	102,181	68,018	76,305
Total Net Program Expenditures	3,613,715	3,564,477	3,657,948	3,549,832	3,509,422
Debt Servicing Costs	865,378	911,626	896,588	820,012	855,180
Total Net Expenditures	4,479,093	4,476,103	4,554,536	4,369,844	4,364,602
Function					
(as a percentage of Total Net Expenditures)					
General Government	2.6%	2.5%	2.3%	2.3%	2.9%
Public Protection	2.4%	2.5%	3.6%	3.3%	3.0%
Transportation and Communications	5.8%	4.9%	5.3%	4.8%	4.8%
Resource Development	3.9%	3.7%	3.7%	3.4%	3.5%
Health	28.4%	28.5%	29.2%	30.4%	29.9%
Social Services	12.0%	11.8%	12.0%	12.6%	12.4%
Education	22.5%	22.4%	21.2%	21.9%	21.3%
Culture and Recreation	1.0%	0.9%	0.8%	0.9%	0.9%
Municipal Affairs	2.1%	2.4%	2.2%	1.6%	1.7%
Total Net Program Expenditures	80.7%	79.6%	80.3%	81.2%	80.4%
Debt Servicing Costs	19.3%	20.4%	19.7%	18.8%	19.6%
Total Net Expenditures	100.0%	100.0%	100.0%	100.0%	100.0%

NOTE: Total Net Expenditures include Net Program Expenditures, Restructuring Costs, Net Capital Expenditures, and Debt Servicing Costs.

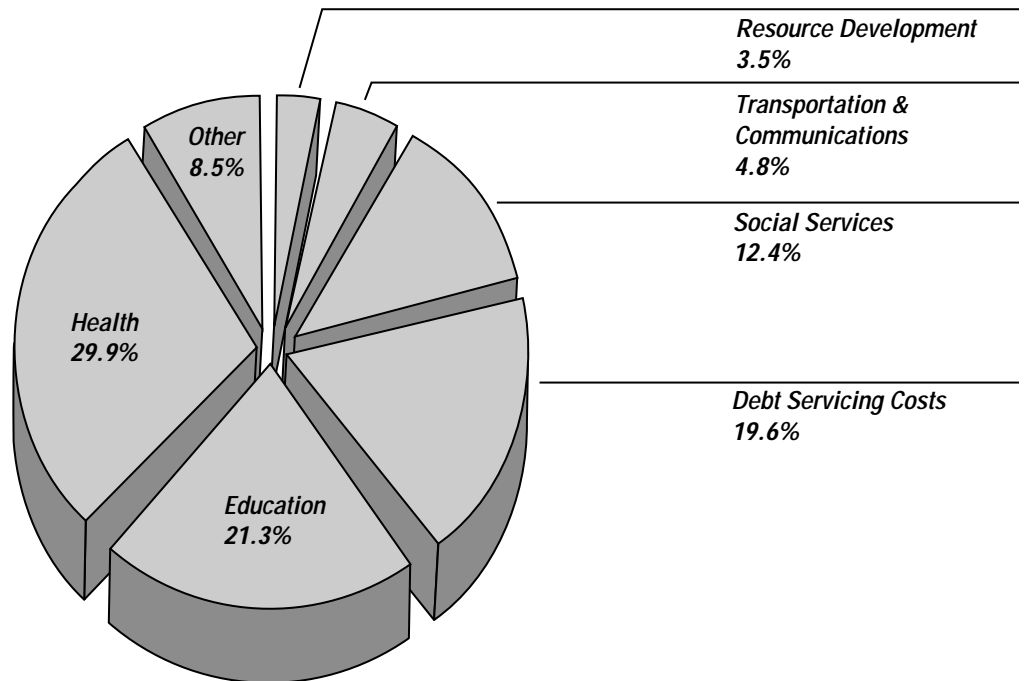
TOTAL NET EXPENDITURES BY FUNCTION

Chart 2

1996-97



1997-98



NOTE: Total Net Expenditures include Net Program Expenditures, Restructuring Costs, Net Capital Expenditures, and Debt Servicing Costs.

NET ORDINARY EXPENDITURES BY FUNCTION

Schedule 8

	1993-94	1994-95	1995-96	FORECAST 1996-97	ESTIMATE 1997-98
Function					
(thousands of dollars)					
General Government	112,560	111,074	96,522	103,934	116,960
Public Protection	104,004	109,591	156,231	137,327	131,734
Transportation and Communications	127,476	123,215	109,289	144,173	122,498
Resource Development	143,145	148,302	152,788	146,541	150,078
Health	1,198,556	1,209,430	1,279,837	1,305,476	1,293,762
Social Services	536,542	526,476	544,083	550,786	541,442
Education	965,566	969,839	920,446	905,509	895,280
Culture and Recreation	36,329	37,204	34,660	34,767	34,447
Municipal Affairs	64,962	69,150	46,489	48,825	50,579
Total Net Program Expenditures	3,289,140	3,304,281	3,340,345	3,377,338	3,336,780
Debt Servicing Costs	865,378	911,626	896,588	820,012	855,180
Total Net Ordinary Expenditures	4,154,518	4,215,907	4,236,933	4,197,350	4,191,960

NET CAPITAL EXPENDITURES BY FUNCTION

Schedule 9

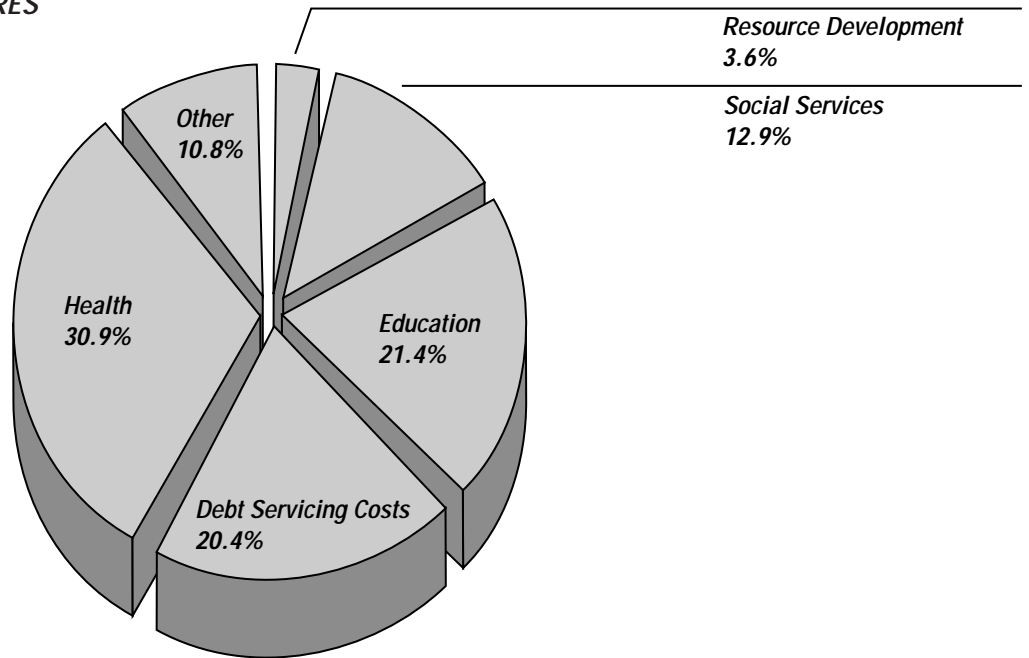
	1993-94	1994-95	1995-96	FORECAST 1996-97	ESTIMATE 1997-98
Function					
(thousands of dollars)					
General Government	4,858	(22)	12,920	1,321	5,664
Public Protection	3,672	4,280	6,385	4,969	1,150
Transportation and Communications	132,062	97,421	132,021	65,895	86,780
Resource Development	32,620	18,701	15,159	1,403	1,721
Health	74,469	64,166	49,821	23,302	13,143
Social Services	314	36	367	53	0
Education	39,742	33,244	43,116	53,146	35,490
Culture and Recreation	6,161	2,272	2,122	3,212	2,968
Municipal Affairs	30,677	40,098	55,692	19,193	25,726
Total Net Capital Expenditures	324,575	260,196	317,603	172,494	172,642

NOTE: Total Net Ordinary Expenditures include Net Program Expenditures and Restructuring Costs.

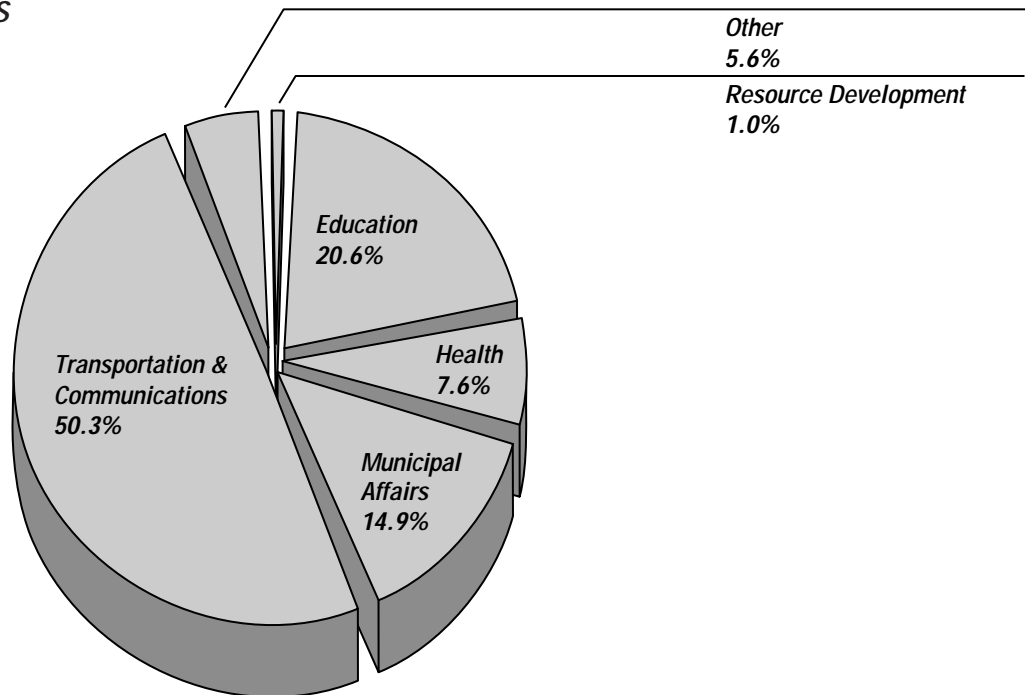
**NET ORDINARY AND CAPITAL EXPENDITURES
BY FUNCTION**

Chart 3

**NET ORDINARY EXPENDITURES
1997-98**



**NET CAPITAL EXPENDITURES
1997-98**



NOTE: Total Net Ordinary Expenditures include Net Program Expenditures and Restructuring Costs.

SUMMARY OF REVENUES AND EXPENDITURES BY SOURCE AND FUNCTION

Schedule 10

(thousands of dollars)

ESTIMATE 1996-97	FORECAST 1996-97	CHANGE OVER ESTIMATE 1996-97		ESTIMATE 1997-98
NET REVENUES BY SOURCE				
Provincial Sources				
902,012	951,529	49,517	Personal Income Tax	939,079
106,200	112,310	6,110	Corporate Income Tax	113,044
749,200	739,700	(9,500)	Health Services Tax	0
0	0	0	Harmonized Sales Tax	668,879
85,000	86,000	1,000	Tobacco Tax	75,800
199,400	199,400	0	Motive Fuel Taxes	199,500
114,529	116,260	1,731	Liquor Commission Profits	116,693
131,325	131,325	0	Gaming Corporation Profits	143,024
44,337	38,052	(6,285)	Interest Revenues	33,664
57,350	57,350	0	Registry of Motor Vehicles	56,200
107,871	163,149	55,278	Other Provincial Sources	185,615
Federal Sources				
1,147,906	1,115,691	(32,215)	Equalization	1,149,788
529,022	536,412	7,390	Canada Health & Social Transfer	437,771
3,909	4,719	810	Other Federal Sources	3,017
-	-	-	Federal Compensation for Harmonization	118,600
4,178,061	4,251,897	73,836	Total Net Revenues	4,240,674
NET EXPENDITURES BY FUNCTION				
110,839	105,255	(5,584)	General Government	122,624
124,143	142,296	18,153	Public Protection	132,884
215,884	210,068	(5,816)	Transportation and Communications	209,278
150,730	147,944	(2,786)	Resource Development	151,799
1,195,750	1,328,778	133,028	Health	1,306,905
550,398	550,839	441	Social Services	541,442
949,136	958,655	9,519	Education	930,770
37,909	37,979	70	Culture and Recreation	37,415
65,500	68,018	2,518	Municipal Affairs	76,305
3,400,289	3,549,832	149,543	Total Net Program Expenditures	3,509,422
774,971	697,312	(77,659)	Net Debt Servicing Costs	727,280
4,175,260	4,247,144	71,884	Total Net Expenditures	4,236,702
-	49,534	---	Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	0

GROSS DOMESTIC PRODUCT AT MARKET PRICES

Schedule 11

(Constant 1986 \$ millions)

YEAR	NOVA SCOTIA ¹ \$ Millions	GROWTH RATE %	CANADA ² \$ Millions	GROWTH RATE %
1986	13,239	3.6	505,666	3.3
1987	13,567	2.5	526,730	4.2
1988	13,757	1.4	552,958	5.0
1989	14,210	3.3	566,486	2.4
1990	14,422	1.5	565,155	-0.2
1991	14,197	-1.6	555,052	-1.8
1992	14,484	2.0	559,305	0.8
1993	14,677	1.3	571,722	2.2
1994	14,691	1.8	597,936	4.6
1995	14,886	1.3	608,835	1.8
1996	15,014*	0.9	617,962*	1.5
1997	15,255 p	1.6	634,809 p	2.7
1998	15,477 p	1.5	650,526 p	2.5

1 Source—Statistics Canada, Provincial Economic Accounts

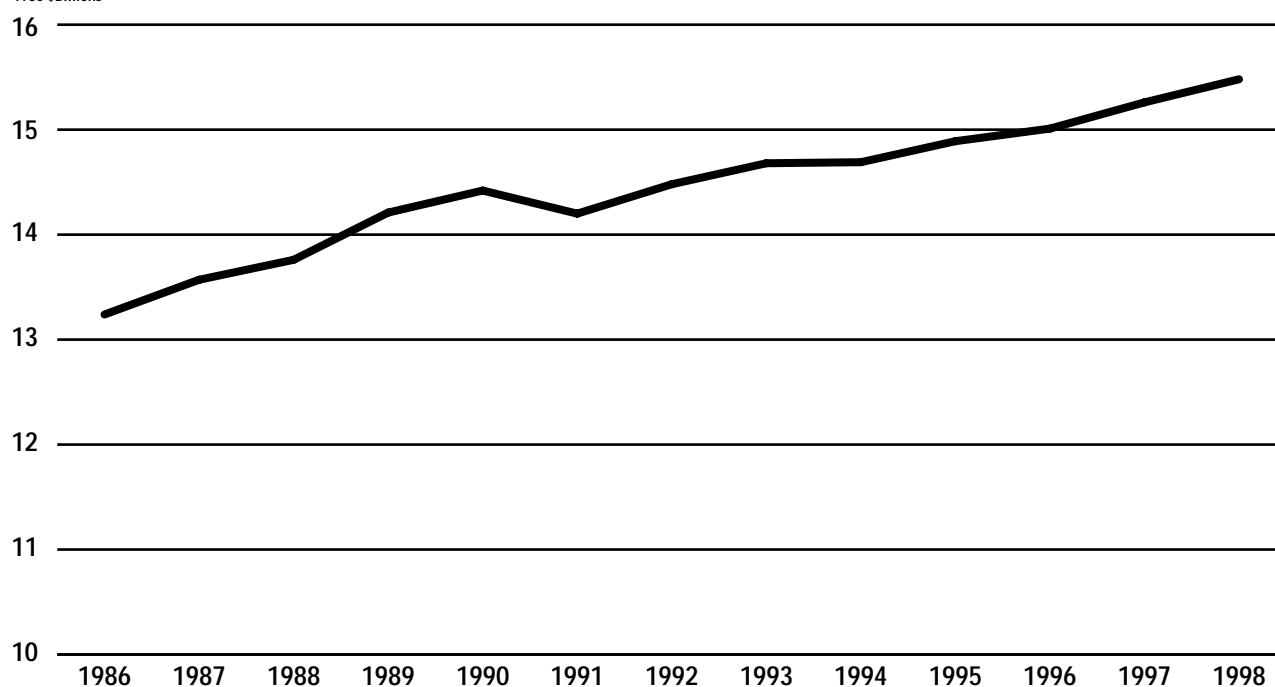
2 Source—Statistics Canada, National Income and Expenditure Accounts

* Preliminary Actuals; Source: Statistics Canada

p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Gross Domestic Product at Market Prices

1986 \$Billions



PERSONAL INCOME PER CAPITA

Schedule 12

(dollars)

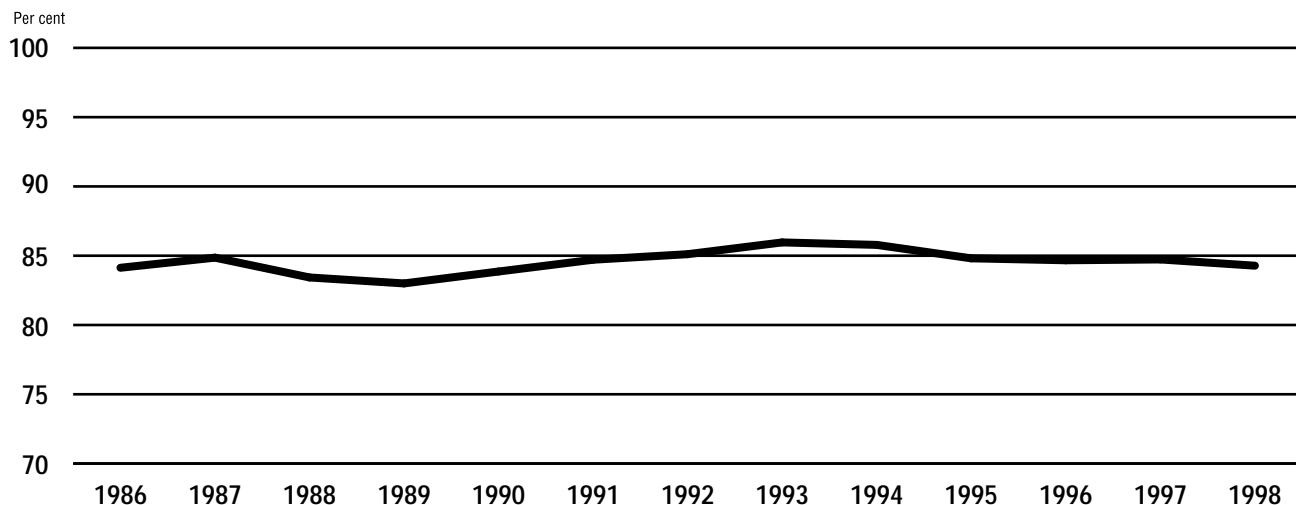
YEAR	NOVA SCOTIA ¹	PERCENTAGE CHANGE NOVA SCOTIA	CANADA ¹	PERCENTAGE CHANGE CANADA
1986	13,717	4.9	16,305	5.7
1987	14,741	7.5	17,371	6.5
1988	15,697	6.5	18,815	8.3
1989	16,679	6.3	20,095	6.8
1990	17,729	6.3	21,141	5.2
1991	18,255	3.0	21,549	1.9
1992	18,542	1.6	21,785	1.1
1993	18,810	1.4	21,881	0.4
1994	18,978	0.9	22,125	1.1
1995	19,088	0.6	22,507	1.7
1996	19,204*	0.6	22,681*	0.8
1997	19,666 p	2.4	23,209 p	2.3
1998	20,135 p	2.4	23,891 p	2.9

1 Source—Nova Scotia Department of Finance

* Preliminary Actuals; Source: Statistics Canada

p Preliminary Projections; Nova Scotia Department of Finance

Personal Income Per Capita Nova Scotia as a Per Cent of Canada



NOVA SCOTIA LABOUR MARKET

Schedule 13

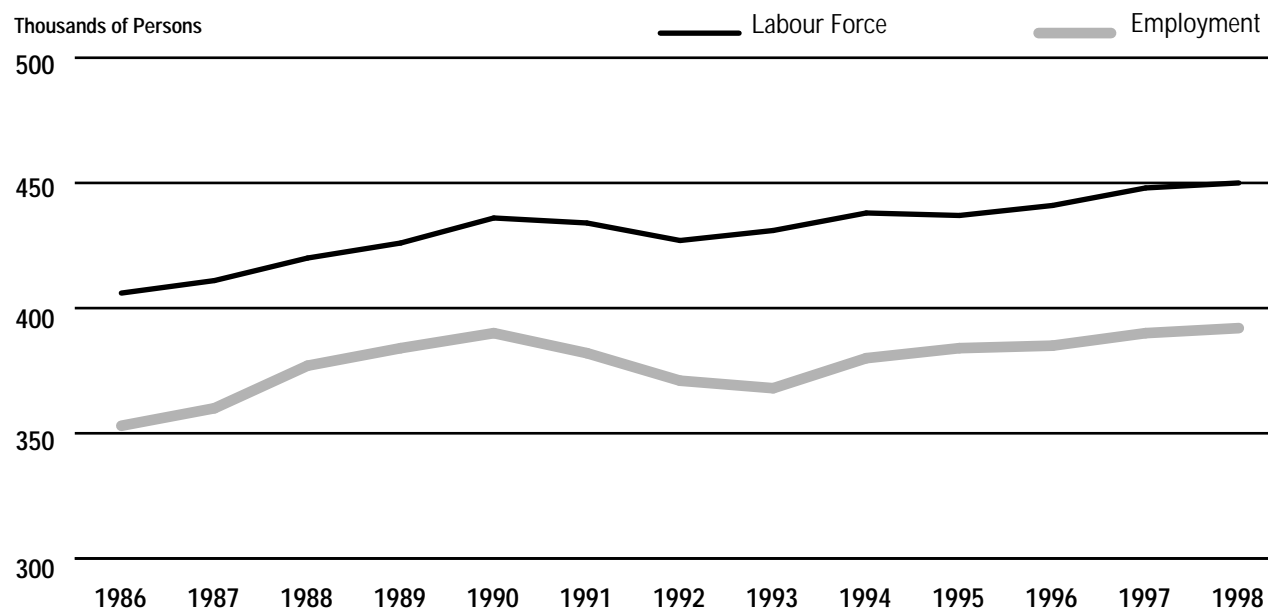
(thousands of persons)

YEAR	LABOUR FORCE ¹	PERCENTAGE CHANGE	EMPLOYMENT ¹	PERCENTAGE CHANGE
1986	406	2.0	353	2.6
1987	411	1.2	360	2.0
1988	420	2.2	377	4.7
1989	426	1.4	384	1.9
1990	436	2.3	390	1.6
1991	434	-0.5	382	-2.1
1992	427	-1.6	371	-2.9
1993	431	0.9	368	-0.8
1994	438	1.6	380	3.3
1995	437	-0.2	384	1.1
1996	441p	0.9	385p	0.3
1997	448p	1.6	390p	1.3
1998	450p	0.4	392p	0.5

¹ Source: Statistics Canada, Historical Labour Force Statistics

p Preliminary Projections, Nova Scotia Department of Finance

Labour Market Nova Scotia



UNEMPLOYMENT

Schedule 14

(thousands of persons)

YEAR	NOVA SCOTIA ¹		CANADA ¹	
	UNEMPLOYED (['] 000)	UNEMPLOYMENT RATE %	UNEMPLOYED (['] 000)	UNEMPLOYMENT RATE %
1986	53	13.1	1,283	9.6
1987	51	12.4	1,208	8.9
1988	43	10.2	1,082	7.8
1989	42	9.8	1,065	7.5
1990	46	10.5	1,164	8.1
1991	52	12.0	1,492	10.4
1992	56	13.2	1,640	11.3
1993	63	14.7	1,649	11.2
1994	58	13.2	1,541	10.4
1995	53	12.1	1,422	9.5
1996	56	12.6	1,469	9.7
1997	58p	12.9	1,480p	9.6
1998	58p	12.8	1,440p	9.2

1 Source: Statistics Canada, Historical Labour Force Statistics

p Preliminary Projections, Nova Scotia Department of Finance

NOTE: The Unemployment Statistics shown in this table are annual averages of the monthly indices.

Unemployment Rates Nova Scotia and Canada

