



Nova Scotia Alternative Budget 2012: Forward to Fairness

Budget in Brief

Introduction

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

Current Issues

The austerity approach of North American and European governments has not gone unnoticed. In the fall of 2011, inspired by the Occupy Wall Street protest in New York City, people all across North America occupied public spaces for weeks and sometimes months to draw attention to the income disparity between the top 1% of income earners and the bottom 99%. The slogan “We are the 99%” came to represent a broad resistance to austerity, and a public discussion of the impacts of inequality under capitalism. Governments eventually expelled Occupy camps in Canada and in the U.S.; however, the protest movement engaged new people in the discussion about building societies that are fair and equitable.

Over the past two years, our own provincial government has made substantial cuts to the monies it provides to district health authorities, school boards and universities in the Province. Spending has been restrained in all departments of the public service. Such austerity measures impose significant costs on all Nova Scotians in lost public services. The estimated impact of this austerity (\$772 million over four years) is the loss of well over **10,000** jobs both direct sector jobs and jobs in the community.¹ These losses are particularly worrying for rural Nova Scotia for whom these jobs make up a significant proportion of their economy, and for women who make up a majority of public sector workers that have benefitted from well-paid public sector jobs with security, and benefits.

A lack of childcare in general (leaving aside the issue of cost), affordable housing, affordable post-secondary education, and a health care system that does not address primary health care needs, all contribute to poverty and inequity in our province. Young Nova Scotians are increasingly struggling to find work.² Cutting public services to balance the provincial budget will likely continue a trend of disenfranchising youth by further eroding access to employment and education. Most Canadian families do not make enough money to support their purchases and have debt equivalent to \$1.50 for every dollar they earn.³ Personal debt will continue to rise as government retreats from its responsibility to support Nova Scotians with public services and requires individuals to purchase the services they need.

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

Budgets Are About Choices and Priorities

The NSAB is modelled after the CCPA's Alternative Federal Budget (AFB), which has just released its 17th edition, entitled *A Budget for the Rest of Us*. This year's AFB outlines "a blueprint to help Canada avoid a lost decade of high unemployment, depressed incomes, chronic insecurity, and shattered dreams for a generation of youth." The NSAB supports the implementation of the spending and taxation recommendations in the CCPA AFB. Further, the NSAB believes that the federal govern-

TABLE 2 Nova Scotia Department of Finance

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

ment must play a significant role to develop adequately funded pan-Canadian strategies on issues including early learning and child care, housing, poverty reduction, and post-secondary education along with the Canada Social Transfer and renegotiation of a Health Accord.

In contrast to the Nova Scotia government’s ‘back-to-balance’ plan to balance the budget via across-the-board cuts, the Nova Scotia Alternative Budget (NSAB) makes strategic investments; finds creative ways to save money and to increase revenue (see *Table 1*). It focuses on restoring fairness with a balanced approach to help those currently in need, and ensure that the province is on the road to becoming more social and economically just, as well as environmentally sustainable.

Fiscal Framework

Table 2 represents the current budgetary situation for the province presented in the December economic update, and based on assumptions made in the 2011–12 budget.⁴ The provincial government plans to balance the budget via “expenditure management” initiatives (i.e., across the board cuts in every sector) to slash \$772 million from departmental budgets by 2013–14. The NSAB challenges many of the assumptions upon which the government’s “back to balance” plan is based, including the timeline necessary to achieve this goal and the best way to do so.

Table 3 represents the overall budgetary transactions of the NSAB. The NSAB contributes strategic investments (new spending) of \$492.5 million, which is paid for by reallocating \$142 million in spending from ineffective programs and by raising additional revenue via tax changes (\$327.80 million). The NSAB has also assumed that, to keep existing programs at their current levels, departmental expenditures will increase at the rate of inflation, at a cost of \$166 million. The resulting deficit in 2012–13 is \$376.5 million.

As can be seen in *Table 3*, although the NSAB calls for a continued deficit in 2012–13 and would balance the budget in 2015–16, this has only a nominal impact on the

TABLE 3 Nova Scotia Alternative Budget

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

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

NSAB suggests the elimination of the annual deficit in 2015–16, instead of 2013–14. The NSAB does not try to balance the budget to fit the timing of the electoral cycle. The **electoral cycle should not determine economic policy**.

Building Fair, Inclusive and Equitable Communities

The *NSAB 2012: Forward to Fairness* is a budget that brings us closer to building inclusive communities and towards protecting and equitably sharing our collective resources. Considering the persisting inequities across our province, we need to approach public spending from the view that public services are an essential part of redistributing wealth and moving towards a more equal society. The NSAB approach favours public organization and delivery of programs, which can be monitored and accounted for in order to reach the greatest number of Nova Scotian residents.

The NSAB moves away from an approach which looks for immediate one time only savings in the budget, to one which takes the long view. Inherent in NSAB’s approach and vision for Nova Scotia is an understanding that when we help those in need, we make Nova Scotia a better place to live for everyone.

The NSAB’s “forward to fairness” approach uses the current quantifiable cost of poverty (**\$600 million to the government**) and the estimation that it would cost half as much to invest in drastically reducing and eventually eliminating poverty, as our guide for prioritizing and estimating investments in social infrastructure and programs. This NSAB provides:

- **A \$40 million investment** to: strengthen the primary health care system in order to address gaps and to move the system forward to prioritize **primary, community-based health care, which includes establishing 10 new Community Health Centres, funding 10 more nurse practitioners, and 12 more midwives.**
- **A \$193.1 million investment** in two social determinants of health and illness — **income and housing.**
 - The NSAB makes a substantial investment (**\$120 million**) to provide a **substantial increase in the personal allowance for income assistance recipients** thus bridging the poverty gap for them.
 - It also makes a substantial investment of **\$60 million in new affordable housing stock** with an additional **\$13.1 million in housing supports and other housing related programs**, targeted to **women, aboriginal people, youth, and people living with disabilities.**
- Investments take into account that a huge portion of the cost of poverty to the NS government is the lost potential for those who are unemployed or underemployed, including **women, aboriginal people, youth, and people living with disabilities.**
 - The NSAB invests more funding in education support **for special needs students (\$14.5 million), as well as African Nova Scotian and Aboriginal students (\$6 million);**
 - The NSAB **decreases the claw back** for ESIA recipients who find employment (from 70% to 50%) (\$19 million).
- **A \$45 million investment** to: begin phasing-in an **Early Learning and Child Care System**, because the early years are critical for children and for breaking the cycle of poverty.
- **A \$6 million investment in literacy** programs across the province based on the knowledge that the strongest predictor of involvement in crime is illiteracy.
- An investment of **\$16 million:** A 50% decrease in tuition fees for the **Nova Scotia Community College**, which is the most accessible higher education program in the province especially to rural Nova Scotia.

Sharing and Protecting our Collective Resources

The NSAB recognizes our collective investment in these resources through taxes and labour, and asserts that these resources should be shared across the province, rather than serve as possibility for individual profit and gain. The people of the province have developed our province's natural resources and the built infrastructure over time. Having access to energy, water, and public transportation are important to both economic development and quality of life in Nova Scotia. The NSAB invests **\$30 million in water and wastewater infrastructure**, and **\$21 million in public transportation for rural Nova Scotia**.

Raising Revenue and Fairness

The NSAB also proposes progressive tax changes that are designed to increase the government's capacity to finance a broad range of government services, such as health, education, transportation, and social assistance (see *Table 1* for a summary of this year's tax proposals). For more than ten years, the NSAB has developed proposals for a more equitable tax system. These proposals have been described as "tax the rich and give to the poor." Indeed, the NSAB has advocated a shift in taxes from low and middle-income Nova Scotians to the upper 45% of income earners, especially to the top 10%. This reflects adherence to the principle of a progressive tax system and recognition that in recent decades, growth accrued almost entirely to the top 10%. Indeed, most of the income gains have been to the top 1% while their taxes have been falling as a proportion of their incomes!

Those whose taxes increase under Alternative Budget proposals also benefit by our policies to improve and expand government services. On average, a Canadian receives the equivalent of **\$17,000** in annual benefit from public services. We depend on these services, including education, health care, child care, public pensions, employment insurance, and family benefits, for our standard of living.⁵ Employers benefit from better skilled and flexible employees, and better communications and distribution infrastructures which widen the markets for the sale of their products.

Conclusion

The NSAB continues to build our social and physical infrastructure and invest in our communities and our people where it is most needed. It avoids slashing government expenditures and services. It protects programs while increasing revenues, primarily through increased upper-end income taxes. This budget does not pose a risk to

the province's delicate recovery by imposing austerity measures that will result in job losses. Rather, the investments it makes are fiscally prudent and will ensure that economic growth is shared fairly and more equitably, and that we lay a stronger foundation for our future.

Notes

1 Assuming the cuts to each department are made in proportion to its weight in the budget and applying Statistics Canada's jobs multipliers for Nova Scotia, The job effects per \$1,000,000 of spending are 15.67 for health, 14.38 for education, and 11.39 for other provincial government services. These three categories made up 42.1%, 15%, and 42.9% of the 2010-11 budget. These figures combine to produce estimated job losses of 10,530. Statistics Canada, Industry Accounts Division, Provincial Input-Output Multipliers, Nova Scotia (Ottawa: Statistics Canada, 2006).

2 Statistics Canada, *Latest release from the Labour Force Survey* (Ottawa: Government of Canada, March 9, 2012). <http://www.statcan.gc.ca/subjects-sujets/labour-travail/lfs-epa/lfs-epa-eng.htm>

3 Roma Luciw, "Canadian consumer debt loads stabilize," *Globe and Mail*, December 1, 2011. <http://www.theglobeandmail.com/globe-investor/personal-finance/home-cents/canadian-consumer-debt-loads-stabilize/article2255194/>

4 Department of Finance, *Budgetary Assumptions and Estimates 2010–11*. (Halifax: Government of Nova Scotia). <http://www.gov.ns.ca/finance/site-finance/media/finance/budget2010/AssumptionsSchedules2010-11.pdf>

5 Hugh Mackenzie, and Richard Shillington, *Canada's Quiet Bargain: The Benefits of Public Spending* (Ottawa: CCPA, 2009). www.policyalternatives.ca/publications/reports/canadas-quiet-bargain

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

Strategic Investments (New Spending) 2012–13+A26 (\$ million)

Income Assistance

Increase income assistance by 50 per cent	\$120
Decrease employment income claw-back	\$19
Cancel 'Your Energy Rebate' Program (redirect to income assistance)	-\$89

Housing

Establish a separate Department of Housing	\$12
Investment in New Affordable Housing Stock	\$60
Continuation and Expansion of Housing Support Worker Funding	\$0.70
Increased Investment in social housing and supports	\$2.4
Increase funding to existing housing programs including Home Ownership and Repair, Public Housing Subsidies and the Rent Supplement program	\$5

Public Health Care

Invest in sustaining current community health centres and establishing 10 new community health centres	\$40
Fund the Federation of Community Health Centres of Nova Scotia	\$0.50

Expand Children's Oral Health Program & fund new Chief Dental Officer position	\$3.30
Hire 10 nurse practitioners and 12 new midwives	\$2.6
Public Awareness Campaign	\$0.50
Early childhood development and education	
Begin phase-in of universal Early Learning and Child Care Plan	\$45
Adult Education and Literacy	\$6
Primary to twelve education	
\$300 to every classroom for school supplies	\$1.50
Increase funding for Special Needs Services	\$14.50
Targeted funding for African Nova Scotian, Aboriginal, and ESL learners	\$6
Post-Secondary Education	
Increase Funding to PSE to reduce tuition	\$30
Decrease NS Community College tuition fees by 50%	\$16
Apprenticeship System Strategic Plan	\$2.5
Eliminate student loans in NS	\$25
Cancel Graduate Retention Rebate	-\$25
Departmental Savings (in-study interest, redundant programs)	-\$3.0
Funding to NSCAD (redirected from Innovation Fund)	\$19
Redirect Innovation Fund	-\$25
Crime Prevention Initiatives	\$2.0
Economic Development	
Rural Sustainability Initiatives	\$3.0
Women's Economic Development Initiatives	\$5.0
Water and Wastewater Infrastructure	\$30
Public Transportation	
Provincial Transit Corporation	\$20
Community Transportation Assistance Program	\$1
Total New Investments (Net)	\$350.50
Additional Revenue 2012–13 (\$ million)	
Restoring Lost Progressivity	\$92.10
Shifting Deductions to NS Tax Credits	\$189.44
Capital Gains Tax Reform	\$46.26
Total New Revenue	\$327.80