Budget Address
Province of Nova Scotia

Nova Scotia House of Assembly
April 11, 2000

by the Honourable Neil J. LeBlanc
Minister of Finance

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Introduction

Budget to deal with financial difficulties

Mr. Speaker, I am pleased to rise and present to this House—and to all Nova Scotians—a budget that firmly but fairly deals with our financial difficulties.

A budget that redefines what government will do, and just as importantly, what government will no longer do.

A budget that will position Nova Scotia to be a "have" province sooner rather than never.

A budget that makes choices now, so that we will be able to make choices in the future.

Mr. Speaker, this government promised the people of Nova Scotia fundamental change. This government is delivering on that promise.

We started with a smaller Cabinet.

Two weeks ago, the Premier announced that over the course of the next year, Nova Scotians will see the face of government fundamentally change and the size of government significantly reduced.

Government will be smaller, but it will also be better organized and better equipped to provide the services that matter most to Nova Scotians.

Mr. Speaker, as a government, we understand that our first obligation to our citizens is to protect their priorities. That is why our restructuring initiatives and this budget target waste, duplication, and non-essential spending.

Previous measures failed

We know that the people of Nova Scotia have already made many sacrifices: forced municipal mergers, wage rollbacks, forced unpaid leave, hospital closures, deep cuts to education and rural roads. Nova Scotians were told those sacrifices would make all the difference. They haven't!

Reduced staff levels were allowed to grow back, while our debts were simply buried in the financial statements of our hospitals, regional health boards, school boards, P3 leases, and in the annual reports of Crown agencies.

Mr. Speaker, those days are over.

Last fall, this government introduced modern-day accounting principles that accurately and openly reflect the true costs of government. Nova Scotians now know the full and painful truth of the extent of our financial problems. From now on, Nova Scotians know that a deficit is really a deficit, a surplus is really a surplus.

No hospital closures, wage freezes, or rollbacks

Monsieur le Président, avant d'aller plus loin dans les détails du budget, permettez-moi de vous dire ce qui n'est pas dans le budget.

Il n'y aura pas de fermeture d'hôpitaux.

Il n'y aura pas de gel de salaires, pas de diminution de salaires et pas de congés forcés non payés.

Il n'y aura pas non plus de très grandes réductions budgétaires en éducation.

En réalité, Monsieur le président, malgré les pressions financières, le montant total des allocations aux programmes en éducation est plus élevé cette année que l'année dernière.

Il n'y aura pas de réductions budgétaires dans l'entretien des routes. Nous avons même prévu une légère augmentation à ce budget afin de respecter nos engagements envers les communautés rurales.

Translation: *Mr. Speaker, before I address more fully what is in this budget, let me tell you what is not.*

There are no hospital closures.

There are no wage freezes, no wage rollbacks, and no forced unpaid leaves.

There are no deep cuts to the education budget ... In fact Mr. Speaker, despite the significant financial pressures we are under, total cash spending on education will be up this year over last year.

There are no cuts to the road maintenance budget. Again, we have allowed for a modest increase in this area in keeping with our commitment to support rural communities.

Budget maintains $11-million commitment to municipalities

This budget maintains the commitment to provide a further $11 million to our municipal partners according to the Municipal Service Exchange Agreement for social services. Moreover, we will continue to provide the Harmonized Sales Tax Rebate to Nova Scotia's municipalities, universities, colleges, schools, hospitals, qualifying non-profit organizations, and charities at a total cost of $45 million.

And, Mr. Speaker, I am sure Nova Scotians will be relieved to hear that there are no increases in personal income tax, motive fuel taxes, or corporate taxes.

In fact, let me take this opportunity to repeat: This government is not standing in the way of Nova Scotia taxpayers getting a break from Ottawa. Every cent of every dollar that Ottawa is handing back to Nova Scotians by way of tax cuts will go to Nova Scotians. This government is not clawing back a single penny.

Moreover, this government fully intends to give its own tax break to Nova Scotians as soon as we have the financial capacity to do so—as soon as we get our own financial house in order.

Mr. Speaker, that's exactly what this budget is all about.

This budget is about finding the right balance:

- The right balance between what the government is best equipped to do and what the private sector, non-profit sector, or individuals can do better.
- The right balance between what government can afford to do and what it would like to do.
- The right balance between helping dependent Nova Scotians who don't have a job and growing our economy so they will have that chance.
- The right balance between rural and urban opportunities.

Mr. Speaker, this government will achieve a balanced budget by taking a balanced approach.

Debt Growth: Not Sustainable

I want to take a moment to describe the extent of our financial difficulties and to examine what the consequences of ignoring the deficit and the debt would mean to Nova Scotians now and in the future.

Net Direct Debt to reach $11 billion in 2001–02

Mr. Speaker, Nova Scotia's debt will soon be $11 billion.

It has been growing at the alarming rate of more than $1,000 per minute.

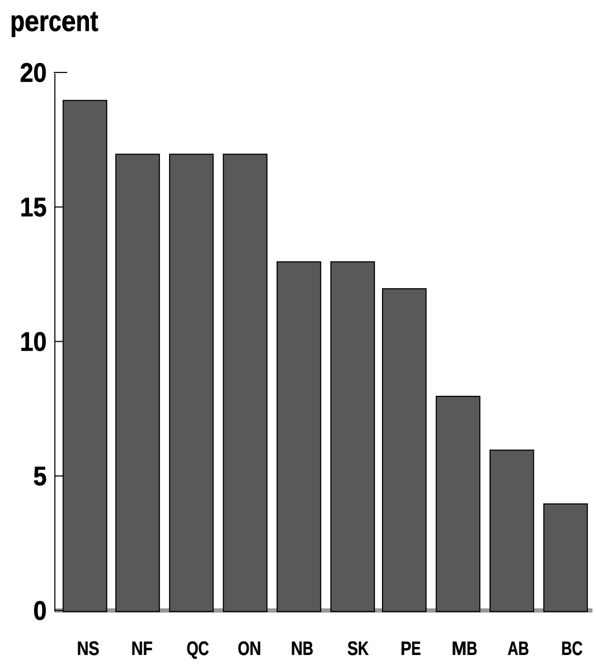
This year alone, Nova Scotia taxpayers will be required to contribute an additional $85 million in Net Debt Servicing Costs. That brings the total amount of money Nova Scotians will pay in interest on the debt to just under $900 million. And every cent of that $900 million comes from one source. It comes out of the pockets of hard-working Nova Scotians—and it's not doing a single thing to benefit our province. It's not making our roads safer, it's not helping families or children in need, or supporting patients in the hospitals or students in the classroom.

19 cents of every dollar goes to debt servicing

Mr. Speaker, Nova Scotia is now spending 19 cents out of every dollar on servicing the debt—that's more than any other province in Canada.

Some people will make the argument that it's okay to keep borrowing from the future to pay for today. They will make a passionate case that every dollar government spends is necessary and that every service government provides is critical. Mr. Speaker, the simple truth is, it costs money to borrow money. If we borrow money today to pay for the day-to-day operations of government, we will have even less money tomorrow to spend on those things that matter most to Nova Scotians.

Debt Charges as a Percentage of Revenues



Source: Federal-Provincial Public Accounts Forecasts for the Year Ending March 31, 2000

Mr. Speaker, there is a sad irony to all of the demands we place on government in the name of a better, fairer, more prosperous Nova Scotia. The irony is, it will be our children who pay the tremendous cost of the debt. They didn't create it. They didn't make the decisions that brought us to where we are today, but they will be the ones who pay the lion's share.

Twenty-five years of living beyond our means—25 years of borrowing—hasn't made us a more prosperous province, it hasn't made us any healthier, and it hasn't helped our students reach the top of the class. It's time we learned from our mistakes

Mr. Speaker, this budget asks all Nova Scotians to accept less today so that we will have more tomorrow.

It is important to remember that we travelled this road together—we must find our way back together. And there is no better time to start our journey than now when our economy is strong.

Economic Performance: Continued Growth

Mr. Speaker, as government realigns its priorities, Nova Scotia's private sector will be increasingly required to be the engine of economic growth. Fortunately, it is well positioned to do so.

Strong economic growth in 1999

Nova Scotia witnessed widespread economic gains in 1999.

Exports of goods and services were up 10.3 per cent. Merchandise exports to international markets grew 15 per cent. Major contributors included paper, lumber, rail cars, tires, and shellfish.

Tourism revenues grew by 16 per cent.

Investment in the IT sector was also up and is poised to grow more with Halifax being selected as the Canadian landing site of a $1.2-billion fibre optics network.

As well, employment was up, housing starts were way up, and motor vehicle sales continued their strong growth. All positive signs that Nova Scotians have confidence in the future.

Natural gas fuels export growth in 2000

The fast pace of growth witnessed in 1999 is expected to slow this year with the completion of Tier One of the Sable Offshore Energy Project. However, the extra value of natural gas exports this year will sustain the growth in total exports for 2000.

It is clear that Nova Scotians are making headway in terms of developing a more diverse, modern economy. They deserve no less than a modern, focused government that knows its place—a modern, focused government that concentrates more fully on the priorities of its people.

There is no better time—when the economy is performing well—to shrink the size of government.

Now is the time to get our fiscal house in order when the economy is well positioned to absorb the impact of reducing the size of government.

Fiscal Performance 1999–2000: Providing for Sysco

Last year, growth in business investment, employment, and personal incomes caused provincial revenues to grow as expected. National growth also led to higher revenues than originally estimated. As well, Nova Scotia Resources Limited posted lower-than-expected losses.

Offsetting the good news were higher debt-servicing costs and year-end accounting adjustments.

Nova Scotia's 1999–2000 deficit is now forecast to be higher than the original estimate, up from $497 million to $765 million.

1999–2000 deficit forecast $765 million

Modern accounting practices require the full disclosure of the impact of selling Sydney Steel. As soon as these one-time costs became known, government was obligated to count them as part of the deficit. That is the right way, the honest way.

Removal of this one-time extraordinary expenditure item of $379 million from our provincial deficit at the end of fiscal 1999–2000 would leave a deficit from continuing operations of $387 million, a $110-million improvement from the budget estimate.

Mr. Speaker, the amount of the debt that must be paid back in foreign currencies has been a significant problem for the province. I am pleased to report that over the course of the last year the amount of foreign currency exposure has fallen from approximately 50 per cent to 36 per cent. This has been due in part to a rise in the Canadian dollar against the American dollar but also active management on the part of government to reduce exposure on outstanding debt issues. This government will introduce legislation to reinforce these good financial management practices. I am pleased to announce that we now expect to reach our legislated goal of 20 per cent exposure to non-Canadian dollars in our debt portfolio within five years.

Foreign currency exposure has fallen from 50% to 36%

Fiscal 2000–01: Working towards Surplus

Significant fiscal challenge in 2000–01

Let me take a moment to talk about the fiscal challenges government faces this year. At the end of fiscal 1999–2000, Nova Scotia's deficit (excluding Sysco's liabilities) totalled $387 million. A significant amount by anyone's calculations, but it does not tell the whole story. This year, we must also find the dollars required to, among other things, cover off reductions in federal transfers, provide for increased debt-servicing costs, and meet government's contractual commitments. There are positive offsets and some areas where spending obligations are now complete, such as the Fisheries Early Retirement Program, election expenses, and Y2K—but they fall short of covering off the added costs of new spending requirements and do nothing to reduce the deficit.

Mr. Speaker, I am proud to stand before the House and present a budget that has faced those challenges and honours the commitments we made to Nova Scotians.

We are making the kind of fundamental changes needed to bring government spending more in line with government revenues, while minimizing the impact on those services that are most important to Nova Scotians.

Mr. Speaker, the budget numbers verify this statement. This government made decisions that resulted in reductions of $295 million.

2000–01 estimated deficit of $268 million

As a result, the total 2000–01 year-end deficit is estimated to be $268 million.

Summary of Pressures
($ millions)

1999–2000 Deficit before Provision for Sysco		$387
Add		
Lost Federal Transfers	185	
Wages, Severance, Restructuring	91	
Debt Servicing Costs	85	
MOU Municipal Services Exchange	11	
P3 School Leases	29	
University Funding Formula	4	
Leased Space	3	
Child Protection Workers	2	
Subtotal		410
Estimated Pressures		797
Less		
New Revenues	178	
Non-recurring Y2K Expenses	47	
Non-recurring Election Expenses	6	
Ending of Fishery Workers ERP	3	
Subtotal		234
Net Pressures		563
Reductions to Reach Deficit Target		295
2000–01 Deficit		$268

Four-Year Fiscal Plan: A Balanced Approach

Mr. Speaker, we are making considerable progress toward balance. Part of the reason is obviously due to the fact that the costs associated with selling Sysco will not reoccur. We have once and for all put that behind us.

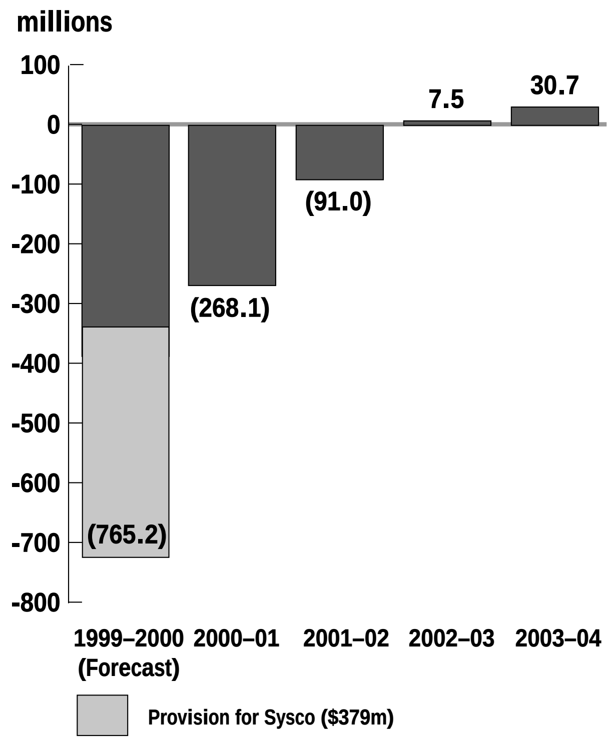
But putting Sysco's costs behind us is not good enough. More needs to be done. And that means changing government. These efforts are well under way.

It is important to note that, as the new efficiencies of our restructuring initiatives and smaller government take hold, Nova Scotia's deficit will continue to shrink.

Projected deficit of $91 million in 2001–02 and surplus the following year

Net Program Expenses will be reduced a further $51 million next year, leaving a projected deficit of $91 million at the end of 2001–02.

Provincial Surplus (Deficit) 1999–2000 to 2003–04



Mr. Speaker, this budget puts us on course to achieve a truly balanced budget in fiscal 2002–03.

It also puts us on course to provide all Nova Scotians with a 10 per cent cut in personal income taxes the following year.

Accountable Government

Mr. Speaker, to ensure that government does not repeat the mistakes of the past, this government will introduce tough new accountability legislation. This legislation will enshrine the government's financial accountability for all government organizations, including school boards and health boards. It will also ensure that there is only one bottom line and that over time it is black not red. It will ensure that Nova Scotians know, not only the full and exact cost of government, but also how their tax dollars are being spent.

New accountability legislation to be introduced

And, as part of next year's budget, we will introduce a surplus management plan. This plan will address the needs of Nova Scotians, including tax reduction, debt reduction, and providing core services.

Health Care: Ensuring Quality, Access, and Sustainability

Mr. Speaker, health care has been, and will continue to be, a priority of this government.

We are committed to ensuring that all Nova Scotians, no matter where they live, have access to an affordable and high-quality health care system. But, Nova Scotians can no longer afford to pay for a system that is not providing the best value for the dollars spent.

If money alone were the answer to good health care, Nova Scotians would have the best health care in the country. Last year, Nova Scotia spent more per capita on public health care than any other province in the country.

There is a mistaken perception that Nova Scotia's health care budget has actually experienced deep cuts in recent years.

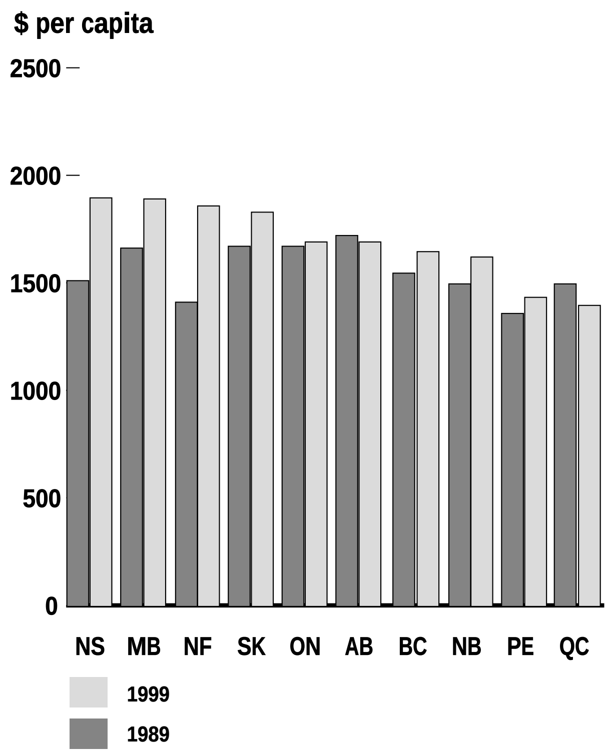
Health care budget rose nearly 38% in 3 years

The truth is, the health care budget has actually increased by nearly 38 per cent in the last three years. And, while health spending has been escalating, federal contributions have dropped dramatically.

In 1996–97 health care costs to Nova Scotians amounted to almost \$1.3 billion—accounting for more than 36 per cent of Net Program Expenses.

In 1999–2000 they amounted to almost \$1.8 billion, one-half billion dollars more, accounting for nearly 42 per cent of Net Program Expenses.

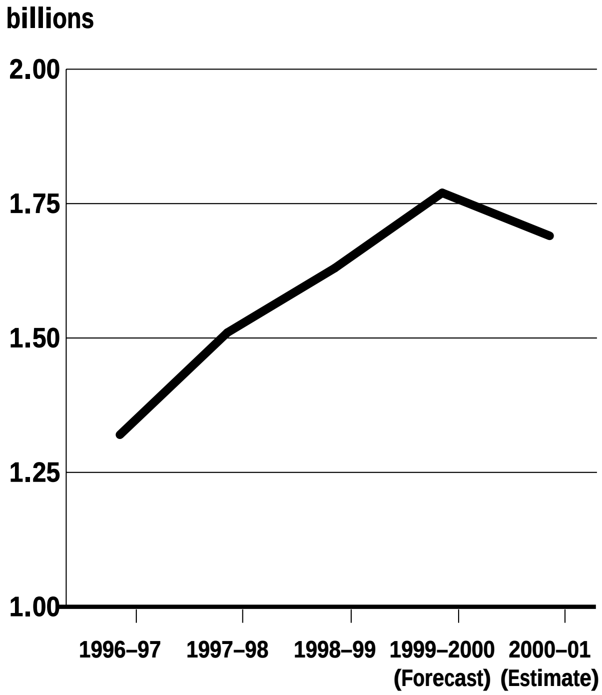
Per Capita Public Health Care Expenditures by Province



Note: All numbers adjusted for inflation
Source: Health Canada

The fact of the matter is, unless we begin to rein in the spiralling cost of health care, it won't be long before we have no money left for anything else: schools, roads, or assistance to families in need.

Nova Scotia Health Spending 1996–97 to 2000–01



The problem has been that government was simply writing the cheques, without putting in place the necessary checks and balances to make sure the money spent was spent wisely.

Mr. Speaker, the answer to improving the level and quality of health care to Nova Scotians isn't in borrowing money and writing cheques. It's in focusing on proven outcomes and community involvement, it's in a renewed emphasis on prevention and integrating services.

Mr. Speaker, the Health Authorities Act now before the House, along with the new clinical services review, are two key initiatives that will improve the quality and level of health services available to Nova Scotians and ensure a sustainable system.

These two initiatives will also help ensure that Nova Scotia taxpayers finally get good value for every dollar they invest in health care.

Mr. Speaker, this budget calls for a 4.7 per cent reduction in the total health care budget. When you factor out the amount of money spent last year on Y2K, the total real impact on this year's health budget is $51 million, amounting to a reduction of 2.9 per cent.

As in every other area of government, we will find these savings, to the greatest extent possible, by cutting administration, by eliminating duplication, and by weeding out non-essential spending. And Mr. Speaker, we expect our health care partners to do no less.

Front-line caregivers will be protected to the greatest extent possible—particularly our nurses. This government is committed to more, not fewer nurses. We are committed to making sure that the overall number of nurses working across Nova Scotia goes up—not down. That is why we have created approximately 150 more full-time nursing positions, established the position of Nurse Policy Advisor, and, among other initiatives, established the Nursing Student Bursary Program.

We will continue to work with the nursing profession to improve their work environment and to provide them with greater opportunity for influencing clinical outcomes.

Long-term care funding protected

Mr. Speaker, this budget also protects funding for long-term care. It is critical that this funding remain stable as we move to a new single-entry system, where Nova Scotians in need of care move smoothly from one service level to another, depending on their level of need.

This government has also kept its commitment to invest $1 million in disease prevention initiatives.

Certainly, Mr. Speaker, our efforts to make the transition to a more cost-effective health care system are not made easy by the federal government. Ottawa continues to add new pressures on all provincial spending areas by refusing to come to the table as a full partner in Medicare. Mr. Speaker, we will continue to aggressively pursue Ottawa for full restoration of the health care dollars it has withdrawn from Nova Scotia in recent years.

Education: An Investment

At the outset I mentioned an increase in the total dollars to be spent on education this year. Again, at a time of severe fiscal pressure, this increase, as modest as it is, speaks to the importance this government places on our education system. In fact, Mr. Speaker, this government is on record as saying that actual cash expenditures on education will not be reduced, at any time, during our mandate. Such a move would be entirely inconsistent with our commitment to support new learning opportunities for Nova Scotians throughout their lifetime.

Total education spending maintained

Mr. Speaker, today's budget increases funding to Nova Scotia's Community College System by $2 million and provides a further $4 million in operating grants to universities. As well, we have completed the commitment to provide a $4.8-million capital investment in university and college capital upgrades.

$2 million more for community colleges, $4 million more for universities

The public school capital construction program will also continue.

As well, this budget includes nearly $20 million more in funding for school maintenance and renovation. In addition, we have provided $15 million for teacher wage settlements.

Due to increased spending in these areas, other reductions were required.

We said we would start by eliminating duplication and waste and by targeting non-essential spending, and we have.

The total administrative cost of running the Department of Education has been reduced by about one-third.

We expect school boards to follow our lead and to shave every available dollar from administration.

Mr. Speaker, there should be no teacher layoffs as a result of this budget. However, the combination of new budget pressures and a drop in student numbers means that not all retiring and departing teachers will be replaced over the next two years.

Not all teaching vacancies to be filled

As school boards make decisions regarding teacher staffing, we expect them to make a special effort to protect class sizes during the critical early years, from grade primary to grade 6.

School curriculum development pace to slow

Additionally, the Department of Education will slow the development of the ever-expanding school curriculum, which detracts from the essentials and results in new cost pressures on school boards.

It simply makes no sense that, at a time when too many students are trying to learn the existing curriculum from photocopied textbooks, government continues to introduce new programs that demand costly teacher upgrades and expensive new resources.

Mr. Speaker, we expect our universities and colleges to make no less of an effort when it comes to eliminating waste and cutting non-essential spending. We firmly believe they have the capacity to achieve savings through administrative cuts and through strategic alliances: measures that would go a long way in limiting student tuition increases.

Self-Reliance: An Attainable Goal

Mr. Speaker, like health care, the costs of maintaining social services in Nova Scotia have increased significantly in recent years.

Almost 75,000 individuals presently rely on government for assistance. This means roughly 1 in every 12 Nova Scotians depends on government for financial support.

Some of these clients come under the Family Benefits Program, others come under the Social Assistance Program, still others fall under a program piloted several years ago in the Cape Breton Regional Municipality.

Mr. Speaker, I have no doubt that the vast majority of people on social assistance want to live independently, but for one reason or another, they simply don't have the means to find a job. And that's because the social system is not presently structured to work at helping people overcome barriers to independence. Far too many families enter the system, only to be largely forgotten.

For example, Family Benefits recipients who have been in the system for extended periods of time are not presently receiving the kind of support they need to help them achieve independence. Mr. Speaker, we cannot allow this to continue.

Targeted assistance to help families achieve independence

As announced last week in *The Course Ahead*, this government is committed to providing more targeted assistance to help families achieve independence. The Department of Community Services will be reorganized and restructured to focus less on simply processing and monitoring applications, and more on supporting recipients in their efforts to begin sustaining themselves and their children.

To allow this to happen, we are moving to a single-entry system that provides one rate of assistance. All new clients coming into the system will receive a new standardized rate that is a combination of the three rates currently provided. All clients presently in the system will be maintained at their existing rate of assistance for this year. If the new standardized rate is higher, existing clients will qualify for the higher level.

This will mean some clients will receive less, others more. All clients will continue to receive rates higher than those offered in either New Brunswick or Newfoundland.

More importantly, Mr. Speaker, recipients on social assistance will soon be supported by a system that works to help them meet their need—their desire—for long-term independence and the sense of pride and accomplishment that comes with it.

We understand that it will take time to redesign all of the protocols, programs, and policies currently in place, but we are wasting no time in terms of helping families become self-reliant.

100 additional children to receive subsidized day care

To help social assistance recipients overcome child care barriers that prevent them from seeking employment, 50 new subsidized child care spaces will be opened and made available to single parents. Mr. Speaker, this is in addition to 50 new spaces being provided through the Healthy Child Development Initiative. And in keeping with our commitments, Mr. Speaker, the subsidy for all 100 new spaces will be attached to the child, not the day care centre.

As well, government is investing $500,000 in a new adult basic education initiative to benefit Nova Scotians caught in the low education–low opportunity trap.

Building Confidence: Growing the Economy

Mr. Speaker, our government believes the first step we must take to encourage new business investment and create new jobs is to stop the build-up of the debt. Every business owner, every potential investor wants to know whether the deficits of today will turn into a higher tax bill tomorrow. That is the fundamental relationship between rising debt and business confidence. Without business confidence we will not have long-term economic growth. It is that simple.

Eliminating deficit builds business confidence

Nova Scotia's business community understands that the most important thing government can do to attract investment, to stimulate the economy, and to create new jobs is to get the province's deficit and debt under control, and to leave more money in the hands of Nova Scotians.

To do that, Mr. Speaker, we must challenge the status quo and begin fresh. My colleague the Minister of Economic Development will soon release a major discussion paper that will form the basis of an economic growth strategy for Nova Scotia. This document will give Nova Scotians an opportunity to participate in developing new strategic initiatives that meet our objective of growing the economies of all regions of the province.

New economic growth strategy

In this budget, a number of initiatives for business have come to an end. This budget also reduces funding to the Department of Economic Development by 45 per cent. We are refocusing the efforts of the Department of Economic Development to better deliver our fiscal and economic goals.

As well, I am announcing that a number of tax credits scheduled to expire over the next few years will not be renewed. Others will be changed. This is consistent with our commitment to close tax loopholes or change tax credits to make sure they meet their original objectives.

Tax credits to be modified

Accordingly,

- The ISO 9000/ISO14000 tax credit will expire December 31, 2002.
- The Manufacturing and Processing Investment Tax Credit will be reduced from 30 to 15 per cent effective January 1, 2001. The credit for new investments will expire, as planned, on December 31, 2002. This change brings the costs and benefits of this measure more in line.
- The Research and Development Tax Credit will be changed to close a loophole that allowed companies to receive the credit on a government grant.
- The Film Industry Tax Credit is extended for two years. The rate will be reduced from 32.5 per cent to 30 per cent in metro and increased from 32.5 per cent to 35 per cent in rural Nova Scotia. This change is designed to encourage film and video investment in rural Nova Scotia, including industrial Cape Breton and Shelburne where taxpayers have already invested in two sound stages. Additionally, the asset cap, which excludes companies with assets over $25 million from accessing this credit, will be removed.

The budget also includes a measure that eliminates a rebate that has benefited mainly manufacturers and processors. The Grant in Lieu of Property Tax the province has been paying to municipalities to offset property tax on machinery and equipment will end.

In keeping with our commitment to support small business growth in rural Nova Scotia, we are extending the tax credit for the Community Economic Development Investment Fund aspect of our Equity Tax Credit for two years to December 31, 2003. In cases where the Equity Tax Credit is used outside this program, we will complete our review on this measure before the credit is set to expire at the end of 2001.

Mr. Speaker, I am also confirming our move to gain more control over the personal income tax system for our province. The details of the new calculation method will be established in legislation brought before this House in a matter of days. I will also be tabling an independent report that verifies the impact of these changes on Nova Scotia taxpayers will be neutral.

Program and Service Review: Right-Sizing Government

Je veux prendre un moment pour vous décrire comment nous sommes arrivés aux décisions contenues dans le budget.

Durant la campagne électorale, avant d'être élus, nous avons été ouverts et francs le peuple de la Novelle Écosse.

Nous leur avons dit ce que nous avions l'intention de faire.

Nous avons promis de réviser tous les programmes et les services du gouvernement.

Nous avons promis de libérer les contribuables des coûts des services qui pourraient être offerts plus efficacement par d'autres.

Nous avons fait cela, Monsieur le président.

Translation: *I want to take a moment to tell you how we came to make the choices that are reflected in this budget.*

During the election campaign, before being elected, we were open and frank with the people of Nova Scotia.

We told them what we intended to do.

Among the promises we made was a commitment to review each and every program and service of government.

We promised that we would free taxpayers of the cost of providing those services that could more effectively, or more efficiently, be provided by others.

We did that, Mr. Speaker.

This budget eliminates programs and significantly reduces others.

Refocusing government

Mr. Speaker, the simple fact is we can't afford everything—we can't do everything—we can't be all things to all people. The most important thing government can do is focus on those things that matter most to just about everybody. And that is exactly what we are doing.

Mr. Speaker, in carrying out our review of programs and services we came to another conclusion.

When government can't pay for the day-to-day operations of our hospitals, of our schools, of our justice or social service systems without going to the bank, it has to take a hard, second look at being in the gas business, in the book-selling business, the hotel business, the golf business, and the liquor business.

As previously announced, government is closely examining the merits of selling Nova Scotia Resources Limited. A valuation exercise is presently under way to determine what is in the best long-term interests of Nova Scotians.

As well, as outlined in *The Course Ahead*, government is seeking a private-sector management company to operate Nova Scotia's three resorts: Liscombe Lodge, The Pines Resort, and Keltic Lodge. This is one step short of selling them outright. But, Mr. Speaker, that option is still on the table.

Mr. Speaker, today I am also announcing that this government will no longer own and operate its own bookstore and that it is relinquishing its interest in the Northumberland Links golf course according to a previous agreement with the club's membership.

Liquor Commission monopolies to be closely examined

Mr. Speaker, this government does not believe that selling liquor is a core function of government. In fact, Nova Scotia is the only province in the country that wholly owns and operates every aspect of the liquor business. This government will revisit our exclusive ownership and control over the warehousing, distribution, and retail functions of the Nova Scotia Liquor Commission. There are any number of options leading to greater private-sector involvement. We will closely examine all of them. If we conclude that it makes sense to both taxpayers and consumers to move forward and privatize one or more of these functions, it will be done.

Service-Oriented Government: Focusing on Efficiency and Effectiveness

Again, this government promised smaller government, and this government is delivering on that promise.

In keeping with the ministry concept recommended by Voluntary Planning's Fiscal Management Task Force and as outlined in the document *The Course Ahead*, the number of government departments and secretariats is being reduced from 21 to 14. The objective is not simply to shrink the size and cost of government, but to organize it so that services can be delivered more effectively.

The new structure outlined in *The Course Ahead* will combine "like" functions and help us achieve the kind of efficiencies that are lost when departments work in isolation of one another, or when departments fail to take advantage of opportunities to save money simply because they are used to "doing their own thing."

And that is why we are bringing asset management under one roof, everything from leasing office space and vehicles to buying computers.

That is why we are bringing regulatory functions under one roof, everything from food inspection to tobacco enforcement.

That is why we are bringing loan administration under one roof.

Alcohol and Gaming Authority responsibilities to be reassigned

Further, today I am announcing that the adjudication functions of the Alcohol and Gaming Authority will be merged with the Utility and Review Board. The remaining responsibilities will be assigned to the Department of Business and Consumer Services and reviewed as part of the government restructuring process.

The mandate and cost of all other agencies, boards, and commissions is also under review to ensure that they serve a legitimate purpose and that they achieve good value for every tax dollar spent. Those that don't will be eliminated. Others with "like" functions will be merged.

Mr. Speaker, it is simply wrong to think that smaller government means that service levels can't be maintained.

This government simply doesn't buy the line that "bigger is always better" or that less spending means less access to government services.

In fact, the only people who believe that are those who think there is no waste in government.

I would ask them, Does it make sense to offer a host of different government services, all sharing common services, all located out of different buildings in the same town, sometimes within the same block?

No.

It doesn't make sense for the taxpayer; it doesn't make sense for Nova Scotians trying to access service.

We can streamline services, we can save dollars, and, with a little ingenuity, we can even improve upon the level of service.

Mr. Speaker, over the next 12 months we will be merging government offices whenever and wherever practical, whenever and wherever it can be demonstrated that we can achieve efficiencies and either maintain or improve the quality of service.

Families and Children: Investments that Count

Mr. Speaker, if Nova Scotia is going to have a fighting chance at being a "have" province, we need to make some key investments now: investments that will pay long-term dividends for all Nova Scotians. This government believes that the best investments we can make are in children—investments that help them personally grow and professionally succeed.

We are therefore committing nearly $11 million to expand or implement new services and develop new programs that will help families, children, and young adults.

Nearly $11 million in new and targeted funding for families and children

Investing in Families and Children ($ millions)

Initiative	Funding
Improved Literacy Services	$1.5
Expanded Services for Children with Autism or PDD	2.0
Expanded Early Intervention Programs	0.6
Expanded Healthy Child Development Initiatives	3.3
Targeted Direct Assistance Program	1.7
New Back-to-School Supplies Financial Assistance	1.6
Total New and Targeted Funding	$10.7

This budget includes investments to help young Nova Scotians learn to read, including $1.5 million to develop a comprehensive literacy strategy, starting at the elementary grade level. Programs to be expanded include Reading Recovery and Active Young Readers.

La Nouvelle-Écosse sera la première juridiction au monde à utiliser la nouvelle version élaborée en français du programme Reading Recovery Observation Survey. Cette année, nous poursuivrons nos efforts dans le but d'étendre ce programme aux élèves acadiens et francophones sur l'ensemble de la province.

Translation: Nova Scotia will be the first jurisdiction in the world to utilize the redevelopment in French of the Reading Recovery Observation Survey. Work will continue toward the goal of extending the program to Francophone/Acadian students across the province this year.

This budget includes measures to assist children with developmental challenges, including:

- $615,000 to expand the number of Early Intervention Initiatives
- $2 million to reduce wait times for assessment and to provide treatment for children believed to have autism or developmental delay.

This budget includes support for low-income families and their children, including:

- $3.3 million under the Healthy Child Development Initiative
- $1.6 million for a new program to help low-income families purchase back-to-school supplies
- $1.7 million under the Direct Assistance Program targeted exclusively to families with children.

Additionally, a new section in the reorganized Department of Health will now focus on children's health.

As well $3.1 million has been provided to hire 71 new child protection workers.

This government understands that these investments alone won't make every child an "A" student; they won't make every troubled child's life better. But, Mr. Speaker, they are significant in that they send the clear message that this government is committed to making key investments in families and children now, so that all Nova Scotians will realize long-term dividends in future.

Rural Nova Scotia: Support for Growth

Budget supports rural economy

This government understands the value of our rural communities and rural way of life. We understand, as well, that our rural communities and the industries that sustain them are increasingly being challenged on any number of fronts. Whether it's Mother Nature's impact on our farms, forests, or fishery, or the exodus of our young people who move away to pursue opportunities elsewhere, communities in rural Nova Scotia are feeling new pressures.

At the outset, I said all Nova Scotians would be affected by this budget, and they will. But Mr. Speaker, this government is committed to ensuring that the economies of rural Nova Scotia are not only sustained, but grow—that young Nova Scotians have a chance to live and work in the place they grew up.

This budget therefore contains a number of measures to support economic opportunities in rural Nova Scotia and to ensure equitable access to government services.

I have already referenced an increase in the rural roads maintenance budget, the continuation of the Community Economic Development Tax Credit, and amendments to the Film Industry Tax Credit, all of which help ensure that rural Nova Scotia is treated fairly. These initiatives speak to government's role in setting the climate for investment.

Mr. Speaker, we are also prepared to make strategic investments to support growth in rural Nova Scotia. In our resources sector:

- a $1.9-million increase in assistance to Nova Scotia's farmers affected by market conditions and dramatic climate changes
- $600,000 to support fund a New Entrants Program for young farmers
- a $1.5-million revolving loan fund to enable Nova Scotia's boatbuilding industry to expand into the lucrative pleasure craft business.

As well, my colleague, the Minister of Natural Resources, is presently working with industry to develop a significant new initiative to support a sustainable and healthy forestry sector here in Nova Scotia.

This government is also providing:

- continued support for Tourism Marketing Initiatives based on the 1999–2000 investment
- expansion of the Community Museum network—the moratorium has been lifted
- a $250,000 investment in cultural development initiatives to help market our cultural strengths and generate export revenue.

As much as possible we have worked to protect our key cultural institutions. This includes committing $100,000 in operating support for the Art Gallery of Nova Scotia's Western Branch and $125,000 for the annual Celtic Colours International Festival in Cape Breton.

All counties to have access to one-stop shopping for government services

Mr. Speaker, in keeping with our commitment to ensure that rural Nova Scotians have equitable access to the services provided by government, I am announcing that within the next 12 to 18 months every county in Nova Scotia will have access to one-stop shopping for a wide range of government services—everything from government tender information to licence renewal to registering a new business.

Impact on the Public Service: Fair Treatment of Employees

Mr. Speaker, I want to spend a few moments to address what this means for the people who work in the public service of Nova Scotia. We recognize that behind the dollars and the job numbers lie people whose lives will be affected. We know that families and communities are concerned about what it all means.

Contracts to be honoured

We have taken steps to lessen the individual impact on our employees. As much as possible, the job losses are coming through attrition. That means in many cases vacant positions are abolished. People who are retiring are not replaced.

Nevertheless, there is no ignoring the fact that with a smaller, more focused government we need fewer people. There is also no ignoring the fact that 70 per cent of the cost of operating government comes from salaries. That means, many contracts will not be renewed, and casuals who had expected work will be disappointed. And yes, Mr. Speaker, there will be layoffs.

For those directly affected by a layoff, we intend to follow the processes outlined in the current collective agreements and establish fair severance arrangements.

This budget results in a reduction of approximately 600 full-time equivalent (FTE) positions in the direct civil service of the province. In addition, 400 teacher reductions are expected to occur through normal attrition. Restructuring in the health facilities and boards will result in 600 fewer FTEs, primarily from administration and support. Taken in total, the expected reduction in FTEs for the broader public sector is 1,600 FTEs. Mr. Speaker, this is a very large number. We hope to manage approximately one-third of the expected reduction through normal attrition and retirements.

Equivalent of 1,600 full-time positions in broad public sector to be eliminated

The impact on individuals is undeniable, and painful. But, the pain for all Nova Scotians will be greater if we are unable to reach a proper financial balance in this province. A balance between our desires for public service programs and our ability to pay for them.

User Fees: Matching Costs with Benefits

Mr. Speaker, a few minutes ago, I talked about finding the right balance between what government is best equipped to do and what others can do better. I talked about what government would like to do and what it can afford to do. I want to take a moment to address the need to strike a balance between who uses and who pays for government services.

This government firmly believes that fairness dictates that those who benefit from a particular service should pay more to help sustain those services.

One program that continues to grow beyond government's capacity to sustain it is Pharmacare.

Mr. Speaker, this government is committed to ensuring that this program is available to seniors for many years to come.

Pharmacare costs have nearly doubled over the last 3 years

But, Mr. Speaker, taxpayers simply cannot continue to absorb the significant year-over-year increases in program costs. In the last three years alone, the cost of the Senior's Pharmacare Program almost doubled from $42 million to $83 million.

Effective midnight tonight, the co-pay will increase from 20 per cent to 33 per cent per prescription to a maximum ceiling of $350. The annual premium of $215 remains unchanged this year. In future years, co-pay and premium increases will be linked to drug cost and utilization increases.

Mr. Speaker, we will also be moving to recover the cost of providing 911 service. This will be a flat fee charge and not a fee charged for calling 911.

While ambulance fees will also be increased, we are eliminating the unfair charge for transferring patients from one hospital to another.

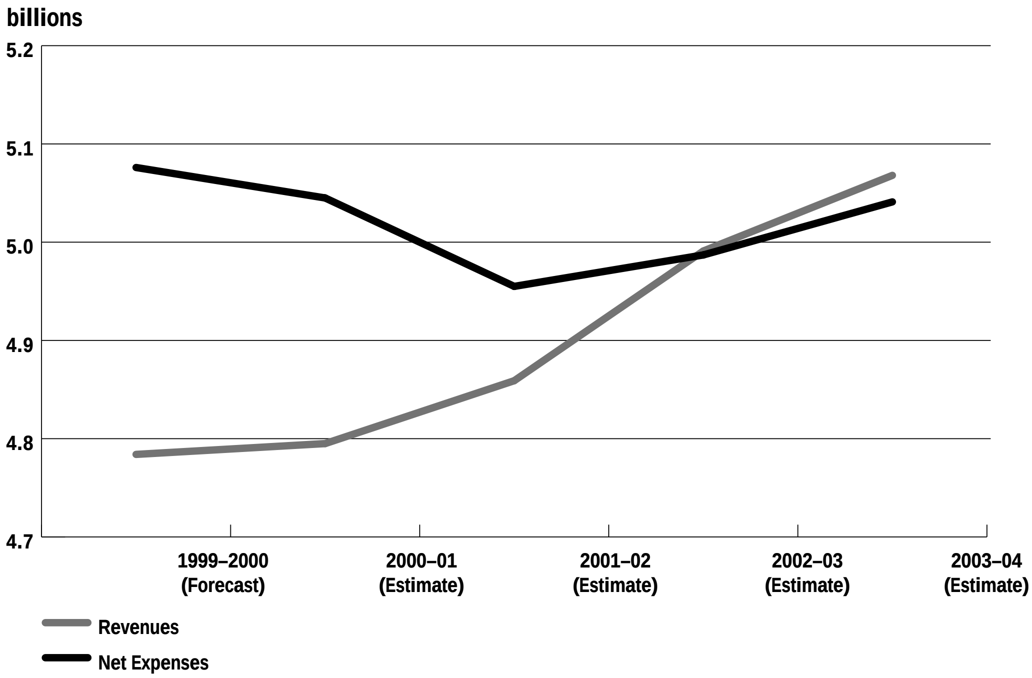
In total, new or increased cost-recovery measures amount to $20 million.

Increased cost-recovery measures amount to $20 million

Keeping Our Commitments: A Four-Year Plan

This government received a strong mandate from the people of Nova Scotia to carry out its four-year plan. This budget confirms we are on course. Program expenses will be brought into line with revenue growth.

Revenues and Expenses 1999–2000 to 2003–04



Note: 1999–2000 Forecast, 2000–2004 Estimates

I've already referred to many of our commitments. Let me mention a few more.

- We are lifting the grandfather clause on the Senior's Property Tax Rebate Program and will begin phasing-in the program so that all qualifying seniors have fair access to this program.
- We are providing an additional $1 million to expand respite services for families caring for family members at home.
- We are investing $500,000 to aggressively market and encourage investment in the Cape Breton economy.
- We will be proceeding with the Buy Nova Scotia First campaign to encourage support for Nova Scotia business.

Mr. Speaker, we said we would keep our word as a government, and we are.

Conclusion

Mr. Speaker, this budget is about balance:

Balancing need against want, cost against benefit, the future against the past.

It’s about priorities: education and lifelong learning; access to quality health care; an environment that fosters economic growth; and help for dependent people to become self-reliant.

It’s about principles: fairness, quality of service, value for money, and accountability.

It’s about the importance of government keeping its word—doing what it said it would do.

This budget is about thinking smart about what government does, and, just as importantly, how it does it.

It’s about sharing the load, where everyone is asked to contribute his or her fair share.

It’s about honestly and openly reporting to all Nova Scotians on where we started and where we are headed.

Most importantly, this budget is about what kind of future we will leave our children. A future of opportunity here at home, or lack of opportunity that forces them to leave home.

Mr. Speaker, the choice is clear—the road we must take is clear.

In my first budget address, I said we would take the road less travelled. That journey begins now.

Mr. Speaker, it will lead to a better Nova Scotia—not one filled with fleeting hopes, but one of lasting benefits in which all Nova Scotians can share.

Thank you.

NOVA SCOTIA
Auditor General

1888 Brunswick Street
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Halifax, Nova Scotia
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Report of the Auditor General to the House of Assembly on the Estimates of Revenue for the Fiscal Year Eending March 31, 2001 Used in the Preparation of the April 11, 2000 Budget Address

I am required by Section 9B of the Auditor General 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 ending March 31, 2001 (the 2000–2001 revenue estimates) are the responsibility of the Department of Finance and have been prepared by departmental management using assumptions with an effective date of March 7, 2000. I have examined the support provided by the department for the assumptions, and the preparation and presentation of the 2000–2001 revenue estimates of $4,794,941,000 for total ordinary revenue. My opinion does not cover the 1999–2000 forecast, the 2000–2001 expenditure estimates, sinking fund earnings, nor the recoveries, user fees or other income netted against expenditures for appropriation purposes. 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.

Commencing with the fiscal year ending March 31, 1999, the Government implemented summary consolidated financial statement reporting in accordance with generally accepted accounting principles. Consistent with prior years, the 2000–2001 revenue estimates have been presented including the total ordinary revenue of the Consolidated Fund established under the provisions of the Provincial Finance Act. As a result, sinking fund earnings and revenue of certain government organizations, which are now reported as revenue in the Province's financial statements, are excluded from the 2000–2001 revenue estimate for total ordinary revenue, but included elsewhere in the 2000–2001 estimates and have not been included in my examination.

Except for the effect of adjustments, if any, which might have been necessary as a result of the matter discussed in the preceding paragraph, 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 2000–2001 revenue estimates; and

- the 2000–2001 revenue estimates as presented reflect fairly such assumptions.

Since the 2000–2001 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, except for the matter discussed above, the 2000–2001 revenue estimates to be reasonable, I express no opinion as to whether they will be achieved.

E R Salmon

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

Halifax, Nova Scotia
April 7, 2000

Key Assumptions—April 4, 2000

Economic Outlook

National Economic Assumptions

Canada's economy posted real GDP growth of 4.2 per cent in 1999, propelled by an unanticipated surge in economic activity in the last quarter of the year. An increase of nearly 400,000 jobs in 1999 helped push the unemployment rate lower, to average 7.6 per cent for the year. Employment gains, robust consumer confidence, and steady personal income growth translated into increased consumer spending, as retail sales grew 5.8 per cent. In the business sector, corporate profits rebounded 25.2 per cent from the decline of the previous year. Investment spending growth was higher on structures, and machinery and equipment. Outlays for Y2K preparedness helped increase the growth in spending on machinery and equipment.

Continued strong growth in the United States economy led to an increase in growth in Canada's exports. Merchandise exports increased 11.9 per cent in 1999, and the value of exports of goods and services, overall, grew by 11.3 per cent. Although US GDP growth is expected to moderate, Canada's export trade prospects remain good. The outlook for Western European countries is for steady economic performance. Recovery in Asian-Pacific economies proceeds, although Japan's recovery remains tentative. Commodity prices are expected to continue to rise and, coupled with other positive economic fundamentals, support appreciation in the Canadian dollar. Overall, Canada's exports of goods and services are expected to increase by 8.0 per cent in 2000.

As indicated by Statistics Canada's survey of investment intentions, capital spending is anticipated to grow at a slower rate in 2000, with weakness particularly evident in spending on machinery and equipment. Consumer spending will remain robust and is expected to provide an offset to slower growth in exports and to weaker investment spending. Employment is forecast to grow by 2.6 per cent and personal income by 3.9 per cent. Retail sales growth is forecast at 4.5 per cent. However, the overall tenor of aggregate demand points to a moderation in growth. Canada's real GDP is forecast to grow by 3.4 per cent in 2000, followed by 2.6 per cent in 2001.

The federal budget delivered on February 28, 2000 is expansionary in tone. However, the impact on the national economy of the announced tax reductions and program spending increases will begin to build in the 2001–02 fiscal year. Newly announced cuts in personal income tax become effective in mid-2000, and do not mature until toward the end of the ensuing five-year period going forward. The impact of tax cuts on personal disposable income over the next two years will, therefore, be limited. Accelerated increases in the indicated schedule of program spending also do not get under way until the next fiscal year. Consequently, the most substantive impact of the federal budget's income tax cuts and program spending increases occurs in the years beyond the short-term period encompassed by the economic forecast.

Momentum from the strong performance in late 1999 indicates that robust economic performance of the Canadian economy in 2000 is assured. In the early months of this year employment has continued to grow at the rate achieved for all of 1999. Consequently, risks to the economic forecast pertain more to 2001 than to 2000. Concerns about the re-emergence of inflation persist at both the Federal Reserve in the United States and at the Bank of Canada. Further monetary tightening by the Federal Reserve is anticipated through 2000 to preempt inflation, arising from concerns that aggregate demand will outstrip the US economy's supply capability achieved by increases in productivity. The Bank of Canada is expected to follow suit, given frequent observations by the Governor of the bank that the Canadian economy's output appears to be approaching capacity. However, if inflation does erupt, monetary policy tightness will continue. This will lead to lower GDP growth in 2001 than forecast. As measured by the Consumer Price Index (CPI), inflation is expected to increase moderately in 2000, and to remain well within the target band of the Bank of Canada. This outlook is predicated on a near term pullback in the prices of oil and petroleum products, which have increased sharply through 1999 and into early 2000, and a concomitant expectation that interest rates will decline in 2001. If, however, the increase in oil prices is not transitory, gathering pressures on inflation would result in further tightening in monetary policy and heighten the risk of an economic slowdown.

The key national economic forecast assumptions (as of March 7, 2000) incorporated into the budget are displayed in the schedule below.

Provincial Economic Conditions

The Nova Scotia economy achieved solid performance in 1999. Real GDP grew 3.6 per cent, marking the strongest annual rate of economic growth in over a decade. Employment increased by 2.4 per cent, and the unemployment rate fell to 9.6 per cent. Capital investment, exports, and consumer spending all broadly contributed to GDP and employment growth.

Development of the Sable gas projects again set the pace for capital investment spending and economic growth in 1999, and at year-end both the Sable Offshore

National Forecast Assumptions	**1999**	**2000**	**2001**
Real Gross Domestic Product, 1992$ (% increase)	4.2	3.4	2.6
Employment (% increase)	2.8	2.6	2.2
Unemployment Rate (%)	7.6	6.8	6.5
Personal Income (% increase)	3.7	3.9	3.9
Consumer Price Index (% increase)	1.7	2.0	2.0
Retail Sales (% increase)	5.8	4.5	4.2
Corporate Profits before Tax (% increase)	25.2	15.0	7.0
Exports of Goods and Services (% increase)	11.3	8.1	6.2
Canadian Exchange Rate (US$/C$)*	0.680	0.684	0.700
3-Month Treasury Bill Rate (%)*	4.76	5.75	5.50

Sources: Statistics Canada (actual), Nova Scotia Department of Finance (projections)
* Indicates fiscal year averages

Energy Project Tier One and the Maritimes & Northeast Pipeline were in operation. In addition to the Sable gas projects, construction on other major projects such as the Macdonald Bridge third lane expansion, ITT-Sheraton Casino, and Michelin modernization and expansion contributed to the estimated 13.6 per cent increase in business investment spending.

Exports of goods and services increased by 10.3 per cent. Merchandise exports to other countries increased an estimated 15.0 per cent. Exports of manufactured products such as paper, lumber, tires, and rail cars were driving forces behind this growth. Overall, the value of shipments from Nova Scotia's manufacturers was up 12.6 per cent. Services exports were bolstered by a reported increase of 16 per cent in tourism revenues.

A net increase of 9,700 jobs in 1999 realized the achievement of another record level of employment in the province. According to Statistics Canada, total wages and salaries earned by Nova Scotians were 5.3 per cent higher, compared to the previous year. Personal income, which includes transfer payments to individuals, increased 4.2 per cent. Higher incomes supported growth in consumer spending, as retail sales increased 5.4 per cent.

Similar to national trends, the Nova Scotia economy will grow at a slower pace in 2000. Real GDP is forecast to increase 1.8 per cent and employment by 1.1 per cent. The unemployment rate is forecast to hold steady at 9.7 per cent, as labour force and employment are forecast to grow at approximately the same rate. A slower pace in job creation leads to lower personal income growth of 2.9 per cent. Personal expenditures are forecast to increase 4.4 per cent, and retail sales 4.3 per cent. Exports of goods and services are forecast to grow by 8.0 per cent. Sales of natural gas and gas liquids augment sustained activity in manufacturing, another solid year for tourism, and emerging opportunities in export-oriented information and communication technology industries such as call centres. This economic outlook incorporates several key factors: a less rapid buildup in natural gas production than previously expected; a lower rate of investment spending; provincial government program spending reductions; and income tax and program spending measures announced in the federal budget on February 28, 2000.

The value added from the production of natural gas and gas liquids by Sable Offshore Energy Incorporated (SOEI) sustains GDP growth over the short term. SOEI production activity more than offsets the cessation in mid-December 1999 of Cohasset-Panuke oil production. However, the ramp-up in production of gas and gas liquids occurs less rapidly than previously anticipated. Consequently, the impetus to GDP and corporate profits growth arising from Sable production is not as great as had been forecast earlier. Corporate profits are forecast to increase 14.3 per cent in 2000. In addition to Sable gas production, improvement in corporate profits in the forecast period is also attributed to higher commodity prices and to increased production from new manufacturing capacity. In the economic forecast, corporate profits before tax relate to economic activity occurring in the provincial economy and are not uniquely linked to the Corporate Income Tax (CIT) forecast. Corporate profits make up only one component of the overall CIT forecast. The CIT forecast is based on both federal and provincial forecasts of corporate taxable income and is affected by other variables such as business take-up of provincial tax credit programs.

Nova Scotia has experienced double-digit annual increases in business investment spending over the last three consecutive years. In 2000, however, the level of capital spending by businesses is forecast to be approximately 20 per cent lower than in 1999. Construction of the Sable Offshore Energy Project (SOEP) Tier One and the Maritimes & Northeast Pipeline, along with other major capital projects, was essentially completed by the end of 1999. The fall in capital investment spending will be cushioned, however, by other business investment activity such as construction of the Halifax natural gas lateral, an anticipated mid-year start on the construction of the natural gas distribution system, and expenditures on oil and gas exploration programs.

Economic implications of provincial and federal fiscal initiatives are incorporated into the forecast. Provincial government program spending reductions are introduced over the short term. Both the reductions in federal income taxes and increases in federal program spending are to be implemented over a five-year period. Substantial impacts on the economy do not begin to materialize until 2001, and their fully matured impact occurs beyond the short-term forecast period.

The Nova Scotia economy is exposed to the same external risks as the Canadian economy. As indicated above, the balance of external risks to the economic outlook is on the down side. There are, in addition, provincial economy-specific risks that pertain to the Nova Scotia economic outlook. The closure of Devco's Phalen mine in late 1999 is incorporated into the forecast; however, uncertainties continue to surround the prospects for both the Devco Prince mining operation and Sydney Steel. The outlook for 2000 depends considerably on variations in the scheduling of natural gas–related activities, including natural gas and gas liquids production and construction of gas lateral and distribution systems. Accelerated offshore exploration and development potential affords an upside risk, but this primarily affects the outlook over the medium term. It is not clear, however, how the private sector will respond to changes in the emerging fiscal environment.

The key provincial economic forecast assumptions (as of March 7, 2000) incorporated into the budget are displayed in the schedule below.

Revenue Outlook

In 2000–01 total ordinary revenues are estimated to be $4.795 billion, an increase of 0.2 per cent over the 1999–2000 forecast. Own-source revenues are expected to increase by $76.2 million over the 1999–2000 forecast to $2.981 billion in 2000–01. Federal transfers will decrease by $54.2 million from 1999–2000 forecast levels.

Provincial Forecast Assumptions	**1999**	**2000**	**2001**
Real Gross Domestic Product (billion 1992$)	20.4	20.7	21.1
Real Gross Domestic Product, 1992$ (% increase)	3.6	1.8	1.8
Employment (% increase)	2.4	1.1	0.3
Unemployment Rate (%)	9.6	9.7	10.4
Personal Income (% increase)	4.2	2.9	3.3
Consumer Price Index (% increase)	1.7	2.2	2.0
Retail Sales (% increase)	5.4	4.3	4.0
Corporate Profits before Tax (% increase)	5.0	14.3	5.1
Exports of Goods and Services (% increase)	10.3	8.0	6.3

Sources: Statistics Canada (actual), Nova Scotia Department of Finance (projections)

Key Assumptions—May 27, 1999

Revenue Sources	***Actual***	***Forecast***	***Estimate***	***Change $***
($ Thousands)	1998–99	1999–2000	2000–01	2000–01/ 1999–2000
Provincial Sources				
Personal Income Taxes	992,205	1,144,871	1,144,925	54
Corporate Income Taxes	119,356	149,379	161,653	12,274
Sales Tax (HST)	723,391	754,827	786,309	31,482
Tobacco Tax	74,598	77,685	80,100	2,415
Gasoline and Diesel Tax	211,606	218,645	232,335	13,690
Liquor Commission Profits	129,200	135,900	141,000	5,100
Gaming Corporation Profits	144,413	167,479	175,119	7,640
Interest Revenues	32,784	34,166	35,507	1,341
Registry of Motor Vehicles	60,980	60,732	61,440	708
Other Provincial Sources	186,219	164,598	166,165	1,567
Total Provincial	2,674,752	2,908,282	2,984,553	76,271
Federal Sources				
Equalization Payments	1,260,683	1,279,610	1,279,630	20
CHST	426,874	420,788	447,453	26,665
CHST Supplement	—	107,132	75,475	(31,657)
Harmonization Compensation	77,700	52,700	—	(52,700)
Other Federal Sources	3,845	4,407	7,830	3,423
Total Federal Sources	1,769,102	1,864,637	1,810,388	(54,249)
Other Sources				
Prior Years' Adjustments	106,768	10,852	—	(10,852)
Total Ordinary Revenue	4,550,622	4,783,771	4,794,941	11,170

Income Taxes

Personal Income Tax (PIT)

The 2000–01 estimate for personal income tax on a fiscal-year basis remains largely unchanged from the 1999–2000 fiscal year forecast. On a tax-year basis, however, personal income taxes are expected to increase by 1.3 per cent in 2000 over 1999. The province converts tax year (January to December) PIT to a fiscal year (April to March) using payments received from the federal government. Growth in personal income in 2000 is being partially offset by measures taken in the 2000 federal budget, which cannot be isolated under the implementation of tax on income for the 2000 taxation year. In 1999–2000, the province reassigned the cost of the Pharmacare credit from a revenue reduction to a program cost outside the revenue estimate.

In the 2000 tax year, Nova Scotia will move to a tax on income system of assessing personal income tax. This system will shift the tax calculation from a percentage of federal tax (tax on tax) to a percentage of taxable income (tax on income). The rates and brackets used will be equivalent to the tax on tax rates and brackets in effect for the 1999 tax year. Nova Scotia will continue to use federally determined taxable income and will adopt the non-refundable tax credits in effect for federal purposes for the 2000 tax year. These include measures taken in the recent federal budget to increase the non-refundable credit block amounts and changes to the treatment of income above the taxable income line. Both of these measures reduce Nova Scotia PIT revenues. The new system will result in no increase to the tax burden on individual Nova Scotians.

Corporate Income Tax (CIT)
Corporate income tax is expected to grow by 8.2 per cent or $12.3 million over 1999–2000. Provincial-level corporate profits are expected to grow by 14.3 per cent resulting in an increase in estimated corporate taxable income of 12.1 per cent. This growth is partially offset by an expected increase in Nova Scotia credits of 11 per cent, or $7.1 million, over 1999–2000. The increase in CIT credits is primarily due to the anticipated growth in the Manufacturing and Processing Investment Tax Credit and the Film Tax Credit.

Consumption Taxes

Harmonized Sales Tax (HST)
Gross HST is estimated to total $841.8 million in 2000–01, a 3.8 per cent increase over 1999–2000. Sales tax rebates for public-sector bodies, new housing, printed books, volunteer fire departments, and persons with disabilities are projected to total $55.5 million, giving a net HST of $786.3 million in 2000–01, a 4.2 per cent increase over the previous fiscal year. The growth in HST revenues between 1999–2000 and 2000–01 is due to continued growth in personal disposable income.

Under the terms of the harmonization agreement, HST revenues are collected by the federal government and distributed to participating provinces based on a revenue allocation formula. The formula is currently under development by the federal government and the participating provinces. As an interim measure, the federal government is making a series of predetermined payments, adjusted for provincial rebates. The formula is expected to be complete by July 1, 2000. After that date, the province could be subject to a prior years' adjustment (positive or negative). These prior years' adjustments represent the difference between the formula allocation and the amounts recorded by the province. The province has incorporated actual rebate information into its forecasts for the 1997 and 1998 tax years. It has also allowed for the latest federal estimates of tax revenues from the revenue allocation formula for these two tax years. In addition, the province has begun to include its own estimate of adjustments in prior years. This is necessary to bring its HST forecasts in line with the forecasts derived from the federal revenue allocation formula.

The estimates produced by the Department of Finance are driven by the province's consumer spending assumptions. In addition, new housing construction and other economic measures also impact on the province's HST estimates. These estimates should reduce, as much as possible, any prior years' adjustment. It is recognized that the allocation formula will not be finalized until the project to improve provincial economic accounts undertaken by Statistics Canada is completed. Actual tax collections data from the Canada Customs and Revenue Agency is being incorporated into the allocation formula.

Tobacco Tax
Revenues from this source are estimated to total $80.1 million in 2000–01, a 3.1 per cent increase over the forecast for 1999–2000. The federal and provincial governments both increased their respective tax rates on cigarettes by 60 cents per carton of 200 on November 6, 1999. The Government of Nova Scotia, in conjunction with the federal and other provincial governments, will continue to explore initiatives such as improved compliance to ensure the integrity of this revenue source.

Motive Fuel Taxes
Motive fuel tax revenues are projected to total $232.3 million in 2000–01, a 6.3 per cent increase over the forecast for 1999–2000. The bulk of the increase is the result of a downward adjustment to the forecast for 1999–2000. Recent fuel price increases are expected to have little impact on fuel tax revenues, because fuel tax rates are fixed and bear no direct relationship to fuel prices. The province has yet to experience any significant decline in consumption.

Profits of Crown Corporations
Nova Scotia Liquor Commission Profits
Liquor revenues are estimated to be $141 million in 2000–01, an increase of 3.8 per cent over the 1999–2000 forecast. The increase is due to improved consumer confidence in 1999–2000.

Nova Scotia Gaming Corporation
The Nova Scotia Gaming Corporation's (NSGC) net income is expected to increase in 2000–01 to $175.1 million, which is a 4.4 per cent increase over the projected results for 1999–2000. The growth in net income in 2000–01 over 1999–2000 is due primarily to the growth in lottery gaming revenues. Traditional lottery revenues are expected to increase through the launch of a new regional lotto game. In addition, increasing the frequency of launching extended play games will ensure product freshness, and enhanced prize jackpots will be created by utilizing the unclaimed prize fund. Video lottery revenues are projected to increase due to enhanced inventory management and new games.

Net operating income for the Halifax and Sydney casinos is budgeted at $342,000 and $3.4 million respectively. This will be the first year of operations for the Halifax permanent casino opening April 24, 2000. The income is reduced in the initial years due to the capital investment repayment to the operator for the new Halifax casino complex.

The 2000–01 estimate includes an expected increase in profits of $4.4 million as a result of an agreement in principle reached among shareholder provinces of the Atlantic Lottery Corporation. In addition, NSGC will receive $500,000 from New Brunswick is each of the next three years as a retroactive adjustment.

The NSGC has used an estimated growth in gaming revenue of 25 per cent over the Halifax interim casino and a growth in food, beverages, and other revenue of 10 per cent over the operator's estimate. The operator has indicated these projections would be an optimistic outcome for the first year of operations for the Halifax permanent casino.

The NSGC recognizes mandatory deferrals paid to the operator as an expense when the monies are distributed. This treatment is not consistent with the Auditor General's opinion that the amounts should be recorded in the year they were incurred. The impact of the Auditor General's interpretation would result in a reduction of approximately $5.1 million in the NSGC's net income in 2000–01.

Federal Transfers

Fiscal Equalization

Equalization revenues are estimated to increase by less than $1 million over forecast 1999–2000 to $1.280 billion. Equalization reflects revised tax base and revenue information as of April 4, 2000. The estimate uses Nova Scotia's economic assumptions and reflects an entitlement level moderately higher than the official federal estimate.

The Canada Health and Social Transfer (CHST)

In 2000–01, the CHST cash entitlement for Nova Scotia is estimated to be $447 million, $26.7 million higher than the 1999–2000 forecast. The total provincial entitlement is composed of the provincial allocation of a fixed national entitlement. The 2000–01 national CHST amount that is available in cash and tax points is $30.8 billion. The cash estimate reflects internal assumptions on the levels of personal and corporate income tax. Starting in 2001–02, the CHST formula will be based totally on an equal per-capita formula.

CHST Supplement

In its 1999–2000 budget, the federal government announced a one-time supplement of $3.5 billion nationally to be paid on an equal per-capita basis to provinces for health care, through the CHST program. Nova Scotia's share of the $3.5 billion was $107.1 million. In its 2000–01 budget, the federal government provided an additional $2.5 billion supplement to the CHST, for health care and post-secondary education, allocated on an equal per-capita basis. Nova Scotia's share of the $2.5 billion increase to CHST is $75.4 million.

Harmonization Compensation

Fiscal 1999–2000 is the last year in which Nova Scotia included federal compensation for harmonization payments in its federal transfer calculations. This compensation represented the amortization of funds provided by the federal government to help offset the anticipated losses to the province from adopting the Harmonized Sales Tax. Under the terms of the negotiated agreement, the federal government provided a total of $249 million to the province to assist with these losses over a three-year period. The fiscal plan tabled in the 1997–98 Government by Design document, included $118.6 million in the 1997–98 fiscal year, $77.7 million in the 1998–99 fiscal year, and $52.7 million in the 1999–2000 fiscal year.

Revenue Source	Key Variables
Personal Income Taxes	– personal income levels by type – national levels of basic federal tax – Nova Scotia share of national levels
Corporate Income Taxes	– corporate taxable income levels (national) – Nova Scotia share of national levels – tax credit usage
HST	– personal consumer expenditure levels – spending by exempt industries – rebate levels
Tobacco, Gasoline, and Diesel Taxes	– personal consumer expenditure levels – tobacco and fuel consumption patterns
Liquor Commission Profits	– personal consumer expenditure levels – consumption patterns
Gaming Corporation Profits	– personal consumer expenditure levels – gaming patterns
Equalization	– changes in 33 different tax bases – changes in population – economic activity in Nova Scotia vs the standard provinces
CHST	– changes in personal and corporate income taxes – changes in population – changes in tax point values

Sensitivity

Revenue estimates are based on a number of economic, financial, and statistical assumptions. As these variables change throughout the year and as more information becomes available, they have an impact, either negatively or positively, on the revenue forecasts. It is important to note that these variables can move quite independently of each other and often have offsetting effects. The following table lists the major revenue sources of the province and indicates some of the key variables that affect that source's forecast throughout the year.

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2000–01 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 consolidated fund. 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 2000–01 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 incorporates official information released by the federal government as of April 4, 2000. Prior Years' Adjustments (PYAs) are normally made to federal transfers and to income tax revenues. All PYAs to date have been included in the forecast for 1999–2000.

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 for 2000–01.

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 economic and revenue estimates.

BUDGETARY SUMMARY

Schedule 1

($ thousands)

ESTIMATE *1998-1999*	***ACTUAL*** *1998-1999*	***ESTIMATE*** *1999-2000*	***FORECAST*** *1999-2000*		***ESTIMATE*** *2000-2001*
				Consolidated Fund	
4,382,718	**4,550,622**	**4,622,985**	**4,783,771**	**Ordinary Revenue**	**4,794,941**
				Net Expenses	
3,690,824	4,005,760	4,231,177	4,262,030	Net Program Expenses	4,146,012
690,742	805,733	799,552	814,153	Net Debt Servicing Costs	899,122
4,381,566	**4,811,493**	**5,030,729**	**5,076,183**		**5,045,134**
1,152	**(260,871)**	**(407,744)**	**(292,412)**		**(250,193)**
				Consolidation and Accounting Adjustments for Government Service Organizations	
	(106,349)	---	---	Health and Hospital Boards' Operations	---
	(33,657)	---	---	School Boards' Operations	---
	(145,258)	---	---	Other Organizations	---
	(285,264)	**---**	**---**		**---**
				Net Income (Losses) for Government Business Enterprises	
	(75,784)	(65,100)	(32,211)	Nova Scotia Resources Limited	(25,900)
	(31,331)	(31,800)	(38,606)	Sydney Steel Corporation	---
	267,853	8,000	8,000	Other Enterprises	8,000
	160,738	**(88,900)**	**(62,817)**		**(17,900)**
				Consolidated Fund Accounting Adjustments	
	---	---	(5,500)	Long Term Service Awards	---
	---	---	(26,000)	Pension Funds	---
	---	**---**	**(31,500)**		**---**
	(385,397)	**(496,644)**	**(386,729)**	**Provincial Surplus (Deficit) before Extraordinary Item**	**(268,093)**
				Extraordinary Item	
	---	---	(378,500)	Sydney Steel Corporation	---
	(385,397)	**(496,644)**	**(765,229)**	**Provincial Surplus (Deficit)**	**(268,093)**

ORDINARY REVENUE - SUMMARY *Schedule 2*

By Revenue Source

($ thousands)

ESTIMATE *1998-1999*	*ACTUAL* *1998-1999*	*ESTIMATE* *1999-2000*	*FORECAST* *1999-2000*		*ESTIMATE* *2000-2001*
				Provincial Sources	
980,752	992,205	1,044,742	1,144,871	Personal Income Tax	1,144,925
122,622	119,356	127,102	149,379	Corporate Income Tax	161,653
737,373	723,391	759,450	754,827	Harmonized Sales Tax	786,309
207,300	211,606	219,945	218,645	Motive Fuel Taxes	232,335
160,171	144,414	161,622	167,479	Gaming Corporation Profits	175,119
121,400	129,200	133,500	135,900	Liquor Commission Profits	141,000
1,900	1,834	2,500	2,000	Royalties - Petroleum	6,000
345,283	352,745	337,901	335,181	Other Provincial Sources	337,212
2,676,801	**2,674,751**	**2,786,762**	**2,908,282**		**2,984,553**
				Federal Sources	
1,183,503	1,260,683	1,257,629	1,279,610	Equalization	1,279,630
440,647	426,874	521,487	527,920	Canada Health and Social Transfer	522,928
77,700	77,700	52,700	52,700	Federal Compensation for Harmonization	---
4,067	3,845	4,407	4,407	Other Federal Sources	7,830
1,705,917	**1,769,102**	**1,836,223**	**1,864,637**		**1,810,388**
---	**106,769**	**---**	**10,852**	**Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements**	**---**
4,382,718	**4,550,622**	**4,622,985**	**4,783,771**		**4,794,941**

NET PROGRAM EXPENSES - SUMMARY

Schedule 3

($ thousands)

ESTIMATE *1998-1999*	***ACTUAL*** *1998-1999*	***ESTIMATE*** *1999-2000*	***FORECAST*** *1999-2000*		***ESTIMATE*** *2000-2001*
34,296	35,626	42,238	42,212	Agriculture and Marketing	33,537
29,213	31,318	33,135	32,040	Business and Consumer Services	31,201
559,967	565,829	580,173	583,273	Community Services	575,989
58,904	77,268	60,268	89,268	Economic Development	49,033
829,193	898,330	873,746	877,688	Education	858,832
188,493	188,487	197,232	197,232	Assistance to Universities	201,232
16,023	15,480	15,678	15,605	Environment	13,132
9,781	8,332	9,941	9,941	Finance	9,298
5,885	5,863	9,396	8,931	Fisheries and Aquaculture	5,716
1,455,102	1,632,041	1,770,630	1,769,432	Health	1,686,140
107,330	106,328	101,938	101,938	Housing and Municipal Affairs	88,663
4,118	3,983	4,334	4,141	Human Resources	3,986
74,724	80,118	82,582	85,259	Justice	82,293
9,303	10,328	11,040	9,680	Labour	8,689
55,064	53,886	56,707	56,524	Natural Resources	52,090
70,103	67,390	86,015	83,671	Public Service	76,244
---	---	40,456	40,329	Tourism and Culture	38,388
236,526	236,468	239,568	238,766	Transportation and Public Works	243,514
3,129	2,784	16,100	16,100	Restructuring Costs	88,035
(56,330)	(14,099)	---	---	Unallocated Recoveries	---
3,690,824	**4,005,760**	**4,231,177**	**4,262,030**		**4,146,012**

Note: The 2000-2001 Estimate for Net Program Expenses is comprised of the departmental operating budget and the amortization expense relating to existing Tangible Capital Assets and purchases planned in fiscal 2000-2001. The cost of the purchases planned in 2000-2001 are noted as "Capital Purchases" in Schedule 7. The 1998-1999 Estimate and Actual and the 1999-2000 Estimate and Forecast have not been restated.

NET PROGRAM EXPENDITURES - SUMMARY

Schedule 4

($ thousands)

ESTIMATE *1998-1999*	***ACTUAL*** *1998-1999*	***ESTIMATE*** *1999-2000*	***FORECAST*** *1999-2000*		***ESTIMATE*** *2000-2001*
34,296	35,626	42,238	42,212	Agriculture and Marketing	33,485
29,213	31,318	33,135	32,040	Business and Consumer Services	29,974
559,967	565,829	580,173	583,273	Community Services	575,922
58,904	77,268	60,268	89,268	Economic Development	49,027
829,193	898,330	873,746	877,688	Education	874,161
188,493	188,487	197,232	197,232	Assistance to Universities	201,232
16,023	15,480	15,678	15,605	Environment	13,111
9,781	8,332	9,941	9,941	Finance	8,886
5,885	5,863	9,396	8,931	Fisheries and Aquaculture	5,732
1,455,102	1,632,041	1,770,630	1,769,432	Health	1,686,407
107,330	106,328	101,938	101,938	Housing and Municipal Affairs	88,748
4,118	3,983	4,334	4,141	Human Resources	3,986
74,724	80,118	82,582	85,259	Justice	82,292
9,303	10,328	11,040	9,680	Labour	8,673
55,064	53,886	56,707	56,524	Natural Resources	52,038
70,103	67,390	86,015	83,671	Public Service	75,867
---	---	40,456	40,329	Tourism and Culture	38,345
236,526	236,468	239,568	238,766	Transportation and Public Works	249,942
3,129	2,784	16,100	16,100	Restructuring Costs	88,035
(56,330)	(14,099)	---	---	Unallocated Recoveries	---
3,690,824	**4,005,760**	**4,231,177**	**4,262,030**		**4,165,863**

Note: The 2000-2001 Estimate for Net Program Expenditures is comprised of the operating budget and the cost of the planned Tangible Capital Asset acquisitions in 2000-2001. The 2000-2001 Estimate is prepared in a manner consistent with the 1998-1999 Estimate and Actual and the 1999-2000 Estimate and Forecast. This Schedule is provided for comparative purposes only.

TANGIBLE CAPITAL ASSETS - RECONCILIATION SUMMARY for 2000-2001 from EXPENSE BASIS to EXPENDITURE BASIS

Schedule 5

($ thousands)

		Tangible Capital Assets			
	Net Program Expenses	Capital Purchases	Amortization Costs	Net Adjust-ments	Net Program Expenditures
Agriculture and Marketing	33,537	---	(52)	(52)	33,485
Business and Consumer Services	31,201	---	(1,227)	(1,227)	29,974
Community Services	575,989	---	(67)	(67)	575,922
Economic Development	49,033	---	(6)	(6)	49,027
Education	858,832	31,801	(16,472)	15,329	874,161
Assistance to Universities	201,232	---	---	---	201,232
Environment	13,132	---	(21)	(21)	13,111
Finance	9,298	---	(412)	(412)	8,886
Fisheries and Aquaculture	5,716	30	(14)	16	5,732
Health	1,686,140	4,927	(4,660)	267	1,686,407
Housing and Municipal Affairs	88,663	130	(45)	85	88,748
Human Resources	3,986	---	---	---	3,986
Justice	82,293	---	(1)	(1)	82,292
Labour	8,689	---	(16)	(16)	8,673
Natural Resources	52,090	403	(455)	(52)	52,038
Public Service	76,244	---	(377)	(377)	75,867
Tourism and Culture	38,388	---	(43)	(43)	38,345
Transportation and Public Works	243,514	51,607	(45,179)	6,428	249,942
Restructuring Costs	88,035	---	---	---	88,035
	4,146,012	**88,898**	**(69,047)**	**19,851**	**4,165,863**

Note: This Schedule is a reconciliation of the Net Program Expenses, which includes the annual amortization costs of capital, to the Net Program Expenditures by department. The capital purchases are the anticipated cash flow for fiscal 2000-2001.

NET DEBT SERVICING COSTS - SUMMARY

Schedule 6

($ thousands)

ESTIMATE *1998-1999*	***ACTUAL*** *1998-1999*	***ESTIMATE*** *1999-2000*	***FORECAST*** *1999-2000*		***ESTIMATE*** *2000-2001*
821,942	952,449	949,252	949,037	Debt Servicing Costs	1,049,485
(131,200)	(146,716)	(149,700)	(134,884)	Less: Sinking Fund Earnings	(150,363)
690,742	**805,733**	**799,552**	**814,153**	**Net Debt Servicing Costs**	**899,122**

Note: For further details on the underlying assumptions that support the Debt Servicing Costs projections, see Schedule 17; Page A46.

STATUTORY CAPITAL ITEMS - SUMMARY *Schedule 7*

($ thousands)

ACTUAL *1998-1999*	***ESTIMATE*** *1999-2000*	***FORECAST*** *1999-2000*		***ESTIMATE*** *2000-2001*
			CAPITAL ADVANCES AND INVESTMENTS The following is given for information as to the proposed program.	
			Additional Advances and Investments (A)	
10,003	15,000	13,000	Fisheries Development Fund	14,000
17,983	16,505	16,369	Housing Development Fund	20,000
32,464	30,000	18,000	Industrial Development Act	17,500
36,671	55,000	37,000	Nova Scotia Business Development Corporation	36,000
28,731	35,000	22,000	Nova Scotia Farm Loan Board	28,000
125,852	**151,505**	**106,369**		**115,500**
			Repayments (A)	
9,267	8,500	8,700	Fisheries Development Fund	9,300
22,496	14,421	20,399	Housing Development Fund	19,189
65	2,000	645	Industrial Development Act	2,000
13	13	13	Municipal Hospitals Loan Act	---
381	321	336	Municipal Loan and Building Fund Act	235
21,880	16,000	17,000	Nova Scotia Business Development Corporation	16,000
17,647	19,000	16,000	Nova Scotia Farm Loan Board	17,000
600	486	1,158	Miscellaneous	93
72,349	**60,741**	**64,251**		**63,817**
53,503	**90,764**	**42,118**	**Net Capital Advances and Investments**	**51,683**
			DEPARTMENT OF TRANSPORTATION (B) AND PUBLIC WORKS MACHINERY PURCHASES	
3,811	**4,200**	**4,390**	Machinery purchases financed through depreciation charges	**---**
			CAPITAL ADVANCES UNDER THE APPROPRIATIONS ACT	
---	**45**	**45**	Agriculture and Marketing	**45**

(A) - Capital Advances and Investments for which no Vote is required under the Appropriations Act. The Spending Authority is contained in the respective Statutes. Borrowing provided for under the Appropriations Act.

(B) - Spending Authority contained in the Public Highways Act.

HISTORICAL ANALYSIS OF ORDINARY REVENUES BY SOURCE

Schedule 8

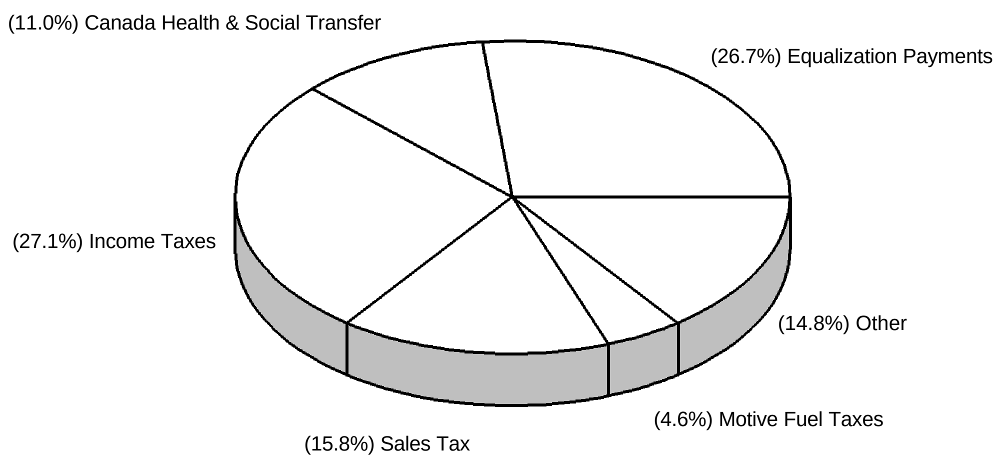
	1996-1997	*1997-1998*	*1998-1999*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*
REVENUE BY SOURCE					
($ thousands)					
Provincial Sources					
Personal Income Tax	951,529	997,562	992,205	1,144,871	1,144,925
Corporate Income Tax	112,310	121,682	119,356	149,379	161,653
Sales Tax	739,851	716,897	723,391	754,827	786,309
Tobacco Tax	86,344	70,660	74,598	77,685	80,100
Motive Fuel Taxes	198,668	204,114	211,606	218,645	232,335
Gaming Corporation Profits	133,388	141,172	144,414	167,479	175,119
Liquor Commission Profits	116,104	118,477	129,200	135,900	141,000
Interest Revenues	35,778	34,844	32,784	34,166	35,507
Registry of Motor Vehicles	58,624	54,884	60,980	60,732	61,440
Royalties - Petroleum	3,473	1,391	1,834	2,000	6,000
Other Provincial Sources	101,536	154,192	184,383	162,598	160,165
Prior Years' Adjustments - Provincial Sources	65,371	5,891	31,307	64,764	---
Federal Sources					
Equalization	1,115,691	1,194,359	1,260,683	1,279,610	1,279,630
Canada Health and Social Transfer	536,412	438,669	426,874	527,920	522,928
Federal Compensation for Harmonization	---	118,600	77,700	52,700	---
Other Federal Sources	3,438	3,296	3,845	4,407	7,830
Prior Years' Adjustments - Federal Sources	(12,472)	70,071	75,462	(53,912)	---
Total Ordinary Revenues	**4,246,045**	**4,446,761**	**4,550,622**	**4,783,771**	**4,794,941**

	1996-1997	*1997-1998*	*1998-1999*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*
REVENUE BY SOURCE					
(as a percentage of Total Ordinary Revenues)					
Provincial Sources					
Personal Income Tax	22.4%	22.4%	21.8%	23.9%	23.9%
Corporate Income Tax	2.6%	2.7%	2.6%	3.1%	3.4%
Sales Tax	17.4%	16.1%	15.9%	15.8%	16.4%
Tobacco Tax	2.0%	1.6%	1.6%	1.6%	1.7%
Motive Fuel Taxes	4.7%	4.6%	4.7%	4.6%	4.8%
Gaming Corporation Profits	3.1%	3.2%	3.2%	3.5%	3.7%
Liquor Commission Profits	2.7%	2.7%	2.8%	2.8%	2.9%
Interest Revenues	0.8%	0.8%	0.7%	0.7%	0.7%
Registry of Motor Vehicles	1.4%	1.2%	1.3%	1.3%	1.3%
Royalties - Petroleum	0.1%	0.0%	0.0%	0.0%	0.1%
Other Provincial Sources	2.4%	3.5%	4.1%	3.4%	3.3%
Prior Years' Adjustments - Provincial Sources	1.5%	0.1%	0.7%	1.4%	---
Total - Provincial Sources	**61.3%**	**59.0%**	**59.5%**	**62.1%**	**62.2%**
Federal Sources					
Equalization	26.3%	26.9%	27.7%	26.7%	26.7%
Canada Health and Social Transfer	12.6%	9.9%	9.4%	11.0%	10.9%
Federal Compensation for Harmonization	---	2.7%	1.7%	1.1%	---
Other Federal Sources	0.1%	0.1%	0.1%	0.1%	0.2%
Prior Years' Adjustments - Federal Sources	-0.3%	1.6%	1.7%	-1.1%	---
Total - Federal Sources	**38.7%**	**41.0%**	**40.5%**	**37.9%**	**37.8%**
Total Ordinary Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

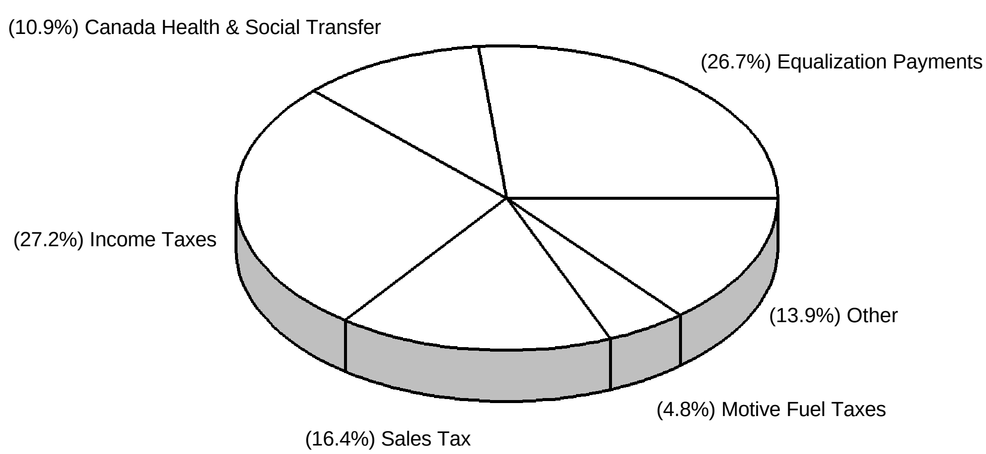
ORDINARY REVENUES BY SOURCE

Chart 1

1999-2000



2000-2001



HISTORICAL ANALYSIS OF TOTAL NET EXPENSES BY FUNCTION

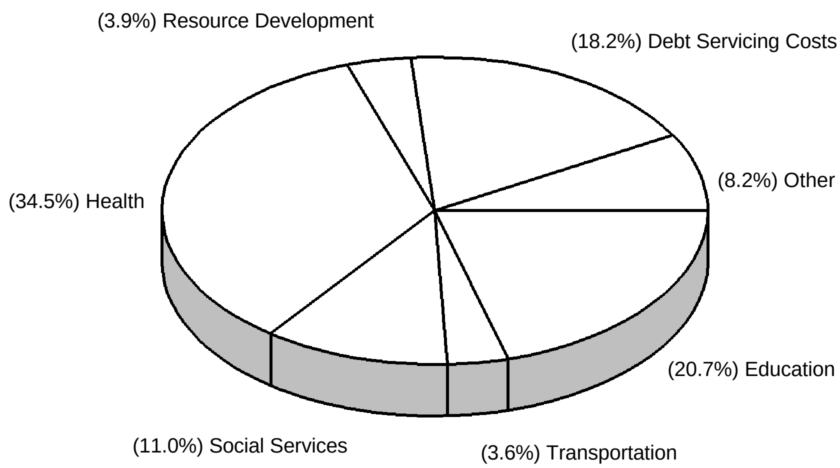
Schedule 9

	1996-1997	*1997-1998*	*1998-1999*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*
FUNCTION *($ thousands)*					
General Government	130,998	146,374	123,521	150,111	214,363
Public Protection	140,133	130,524	145,861	158,566	146,396
Transportation	210,206	216,395	189,928	187,541	192,951
Resource Development	144,209	158,847	160,033	200,776	148,585
Health	1,318,899	1,472,827	1,654,260	1,799,508	1,723,397
Social Services	547,898	570,858	561,599	571,100	556,405
Education	953,564	941,965	1,054,545	1,076,926	1,058,111
Culture and Recreation	37,115	38,753	39,025	43,532	40,559
Municipal Affairs	67,533	66,309	76,988	73,970	65,245
Total Net Program Expenses	**3,550,555**	**3,742,852**	**4,005,760**	**4,262,030**	**4,146,012**
Debt Servicing Costs	811,082	797,785	952,449	949,037	1,049,485
Total Net Expenses	**4,361,637**	**4,540,637**	**4,958,209**	**5,211,067**	**5,195,497**

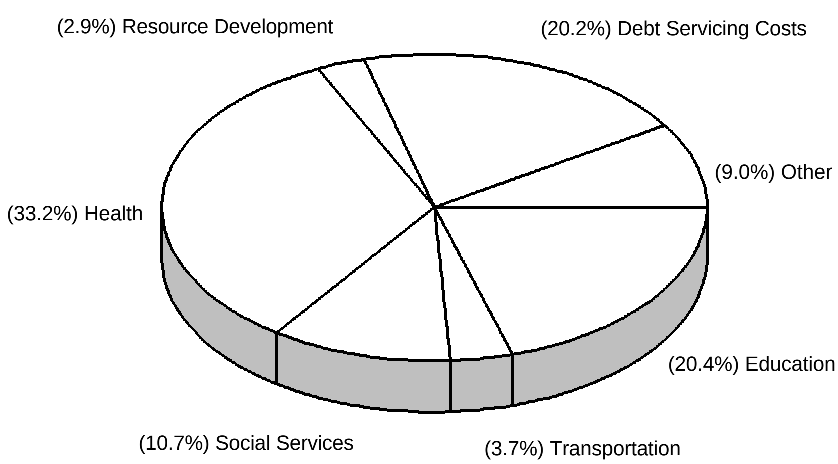
	1996-1997	*1997-1998*	*1998-1999*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*
FUNCTION *(as a percentage of Total Net Expenses)*					
General Government	3.0%	3.2%	2.5%	2.9%	4.1%
Public Protection	3.2%	2.9%	2.9%	3.0%	2.8%
Transportation	4.8%	4.8%	3.8%	3.6%	3.7%
Resource Development	3.3%	3.5%	3.2%	3.9%	2.9%
Health	30.2%	32.4%	33.4%	34.5%	33.2%
Social Services	12.6%	12.6%	11.3%	11.0%	10.7%
Education	21.9%	20.7%	21.3%	20.7%	20.4%
Culture and Recreation	0.9%	0.9%	0.8%	0.8%	0.8%
Municipal Affairs	1.5%	1.5%	1.6%	1.4%	1.3%
Total Net Program Expenses	**81.4%**	**82.4%**	**80.8%**	**81.8%**	**79.8%**
Debt Servicing Costs	18.6%	17.6%	19.2%	18.2%	20.2%
Total Net Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

TOTAL NET EXPENSES BY FUNCTION *Chart 2*

1999-2000



2000-2001



SUMMARY OF REVENUES AND EXPENSES BY SOURCE AND FUNCTION

Schedule 10

($ thousands)

ESTIMATE *1999-2000*	*FORECAST* *1999-2000*	*CHANGE OVER ESTIMATE* *1999-2000*		*ESTIMATE* *2000-2001*
			Consolidated Fund	
			Net Revenues by Source	
			Provincial Sources	
1,044,742	1,144,871	100,129	Personal Income Tax	1,144,925
127,102	149,379	22,277	Corporate Income Tax	161,653
759,450	754,827	(4,623)	Harmonized Sales Tax	786,309
77,685	77,685	---	Tobacco Tax	80,100
219,945	218,645	(1,300)	Motive Fuel Taxes	232,335
161,622	167,479	5,857	Gaming Corporation Profits	175,119
133,500	135,900	2,400	Liquor Commission Profits	141,000
35,325	34,166	(1,159)	Interest Revenues	35,507
56,335	60,732	4,397	Registry of Motor Vehicles	61,440
2,500	2,000	(500)	Royalties - Petroleum	6,000
168,556	162,598	(5,958)	Other Provincial Sources	160,165
			Federal Sources	
1,257,629	1,279,610	21,981	Equalization	1,279,630
521,487	527,920	6,433	Canada Health and Social Transfer	522,928
52,700	52,700	---	Federal Compensation for Harmonization	---
4,407	4,407	---	Other Federal Sources	7,830
---	10,852	10,852	Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	---
4,622,985	**4,783,771**	**160,786**	**Total - Net Revenues**	**4,794,941**
			Net Expenses by Function	
158,770	150,111	(8,659)	General Government	214,363
152,765	158,566	5,801	Public Protection	146,396
192,216	187,541	(4,675)	Transportation	192,951
173,619	200,776	27,157	Resource Development	148,585
1,800,775	1,799,508	(1,267)	Health	1,723,397
568,339	571,100	2,761	Social Services	556,405
1,067,179	1,076,926	9,747	Education	1,058,111
43,014	43,532	518	Culture and Recreation	40,559
74,500	73,970	(530)	Municipal Affairs	65,245
4,231,177	**4,262,030**	**30,853**	**Total - Net Program Expenses**	**4,146,012**
799,552	**814,153**	**14,601**	**Net Debt Servicing Costs**	**899,122**
5,030,729	**5,076,183**	**45,454**	**Total - Net Expenses**	**5,045,134**
(407,744)	**(292,412)**	**115,332**		**(250,193)**
(88,900)	**(472,817)**	**(383,917)**	**Consolidation and Accounting Adjustments for Government Service Organizations, Net Income (Losses) Business Enterprises and Extraordinary Item**	**(17,900)**
(496,644)	**(765,229)**	**(268,585)**	**Provincial Surplus (Deficit)**	**(268,093)**

GROSS DOMESTIC PRODUCT at MARKET PRICES

Schedule 11

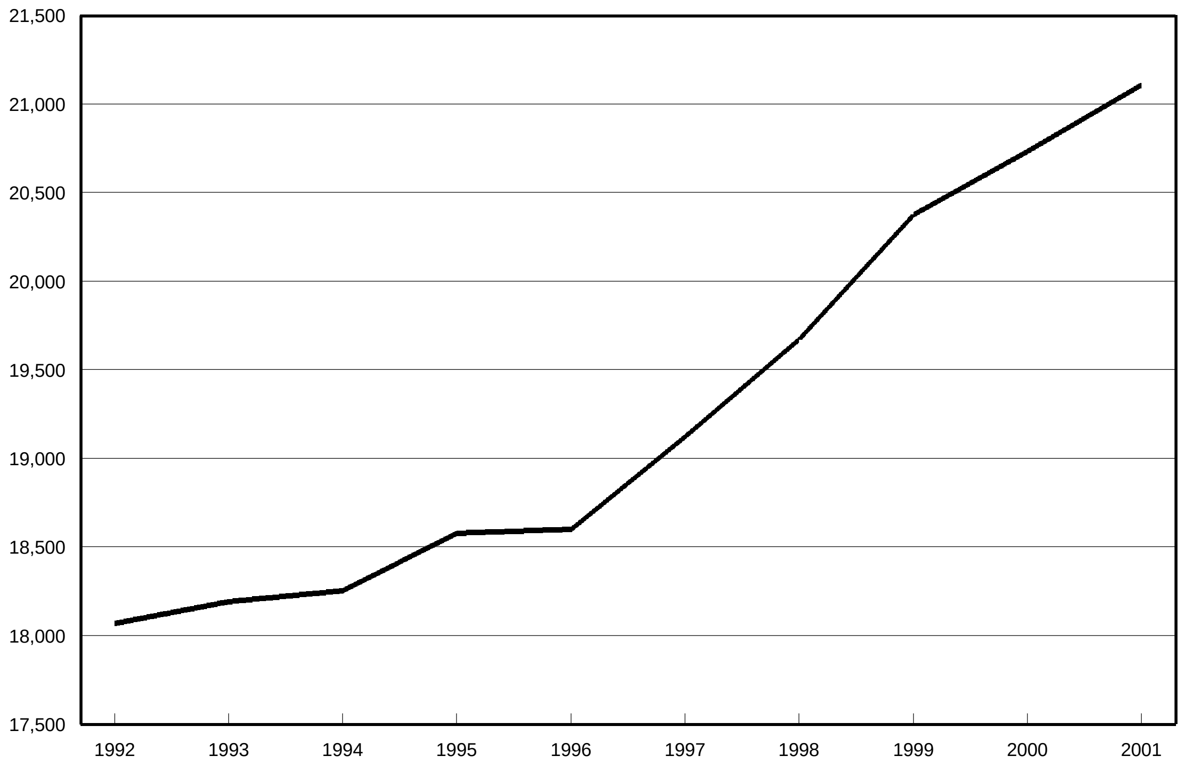
(Constant 1992 $ millions)

YEAR	NOVA SCOTIA (1)	GROWTH RATE %	CANADA (2)	GROWTH RATE %
1992	18,071		698,544	
1993	18,193	0.7	714,583	2.3
1994	18,256	0.3	748,350	4.7
1995	18,578	1.8	769,082	2.8
1996	18,602	0.1	782,130	1.7
1997	19,124	2.8	813,031	4.0
1998	19,674	2.9	838,265	3.1
1999	20,379 *	3.6	873,374	4.2
2000	20,737 p	1.8	903,259 p	3.4
2001	21,112 p	1.8	926,616 p	2.6

1 Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
2 Source: Statistics Canada, National Income and Expenditure Accounts, Cat. No. 13-001-PPB
* Preliminary Actuals; Source: Nova Scotia Department of Finance
p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Gross Domestic Product at Market Prices

(Constant 1992 $ millions)



PERSONAL INCOME PER CAPITA

Schedule 12

(dollars)

YEAR	NOVA SCOTIA (1)	% CHANGE	CANADA (1)	% CHANGE
1992	18,806		21,710	
1993	18,939	0.7	21,889	0.8
1994	19,046	0.6	22,071	0.8
1995	19,414	1.9	22,699	2.8
1996	19,407	---	22,954	1.1
1997	19,878	2.4	23,552 **	2.6
1998	20,480	3.0	24,286 **	3.1
1999	21,269 *	3.9	24,985 **	2.9
2000	21,889 p	2.9	25,713 p	2.9
2001	22,625 p	3.4	26,502 p	3.1

1 Source: Statistics Canada, Cat. Nos. 13-001-XPB, 13-213-PPB, Statistics Canada, Demography Division and Nova Scotia Department of Finance

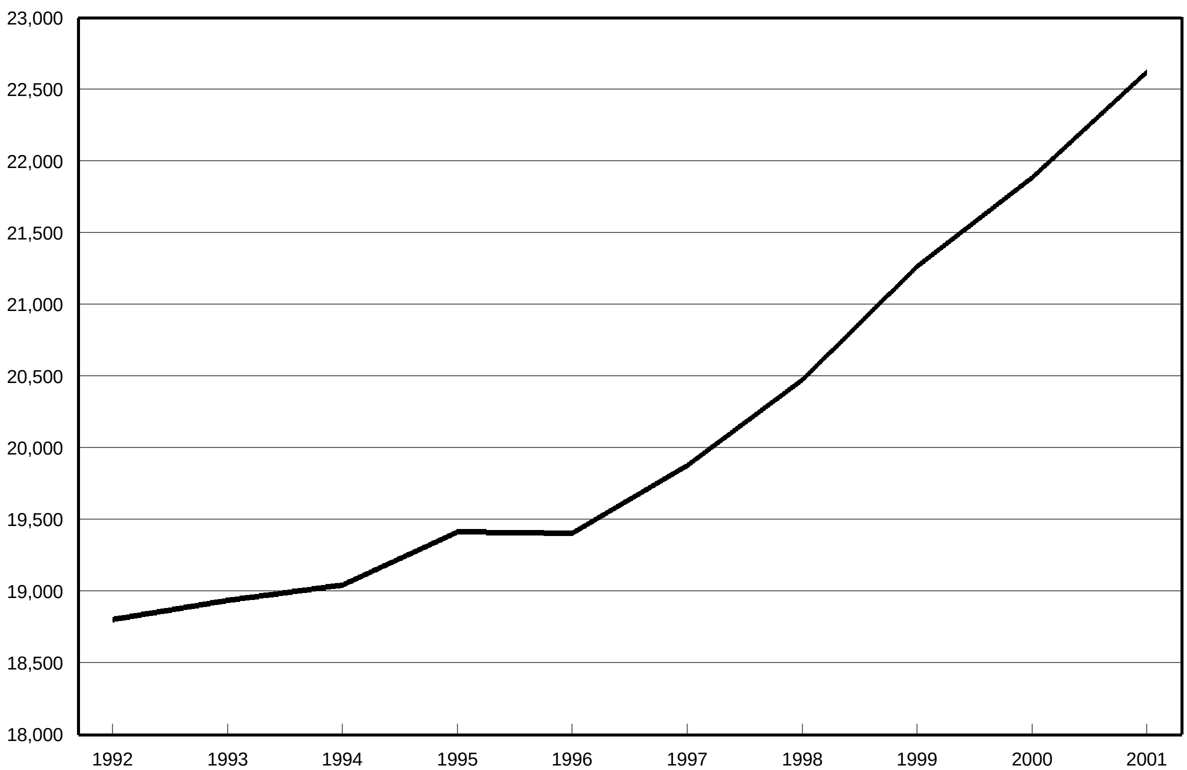
* Preliminary Actuals; Source: Nova Scotia Department of Finance

** Preliminary Actuals; Statistics Canada, Cat. Nos. 13-001-XPB and Statistics Canada, Demography Division

p Preliminary Projections; Source: Nova Scotia Department of Finance

Personal Income Per Capita in Nova Scotia

(dollars)



NOVA SCOTIA LABOUR MARKET

Schedule 13

(thousands of persons)

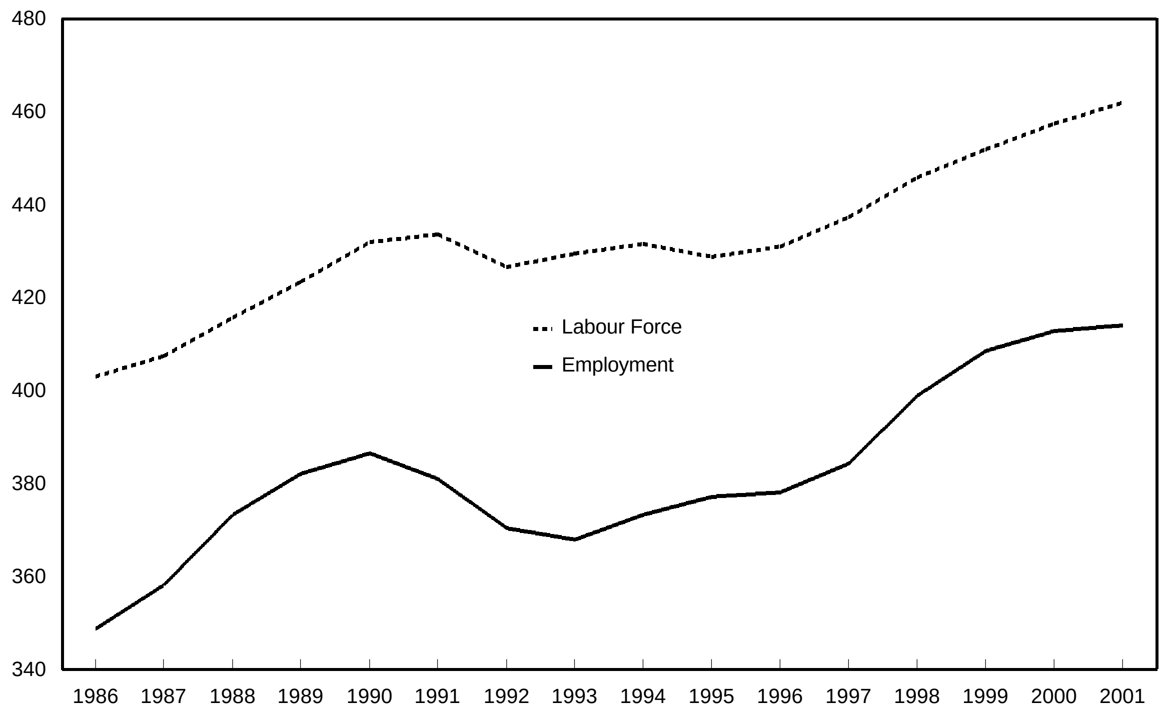
YEAR	*LABOUR FORCE (1)*	*% CHANGE*	*EMPLOYMENT (1)*	*% CHANGE*
1986	403		349	
1987	407	1.1	358	2.7
1988	416	2.0	373	4.2
1989	424	1.9	382	2.4
1990	432	2.0	387	1.2
1991	434	0.4	381	(1.4)
1992	427	(1.6)	370	(2.8)
1993	430	0.7	368	(0.7)
1994	432	0.5	373	1.5
1995	429	(0.6)	377	1.0
1996	431	0.5	378	0.3
1997	437	1.5	384	1.6
1998	446	1.9	399	3.8
1999	452	1.4	409	2.4
2000	457 p	1.2	413 p	1.1
2001	462 p	1.0	414 p	0.3

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat. No. 71-201-XPB

p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Labour Market

(thousands of persons)



UNEMPLOYMENT

Schedule 14

(thousands of persons)

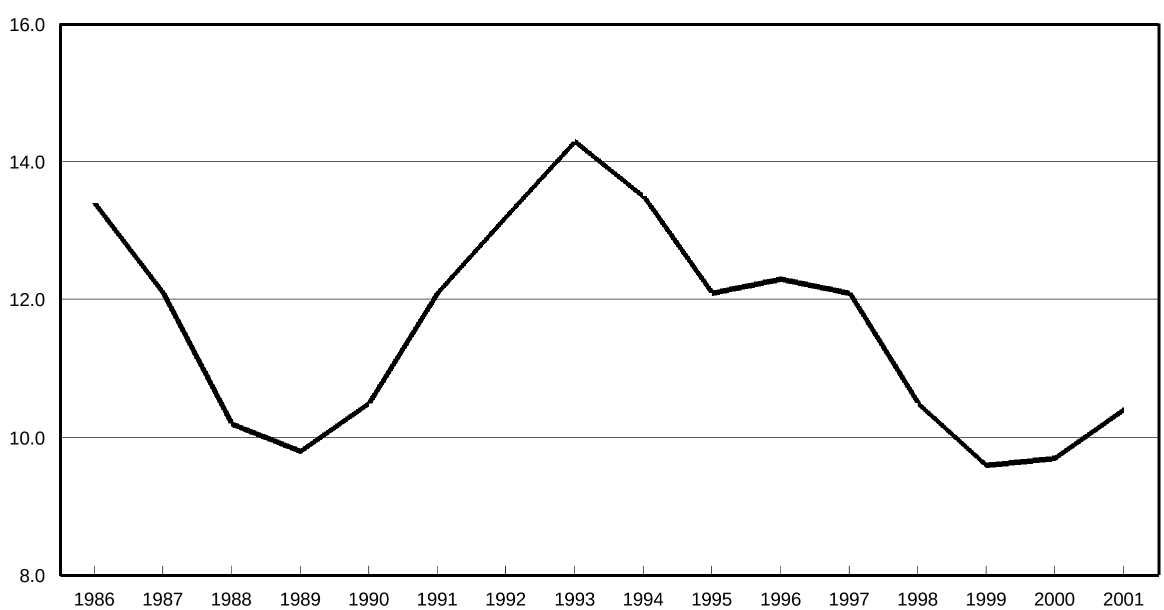
YEAR	NOVA SCOTIA (1) UNEMPLOYED	NOVA SCOTIA (1) UNEMPLOYMENT RATE %	CANADA (1) UNEMPLOYED	CANADA (1) UNEMPLOYMENT RATE %
1986	54	13.4	1,278	9.6
1987	49	12.1	1,191	8.8
1988	42	10.2	1,068	7.8
1989	41	9.8	1,060	7.5
1990	46	10.5	1,157	8.1
1991	53	12.1	1,480	10.3
1992	56	13.2	1,602	11.2
1993	62	14.3	1,647	11.4
1994	58	13.5	1,515	10.4
1995	52	12.1	1,393	9.4
1996	53	12.3	1,437	9.6
1997	53	12.1	1,379	9.1
1998	47	10.5	1,277	8.3
1999	43	9.6	1,190	7.6
2000	45 p	9.7 p	1,095 p	6.8 p
2001	48 p	10.4 p	1,055 p	6.5 p

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat No. 71-201-XPB
p Preliminary Projections; Source: Nova Scotia Department of Finance

Note: The unemployment statistics shown in this table are annual averages of the monthly indices.

Unemployment Rate in Nova Scotia

(Per Cent)

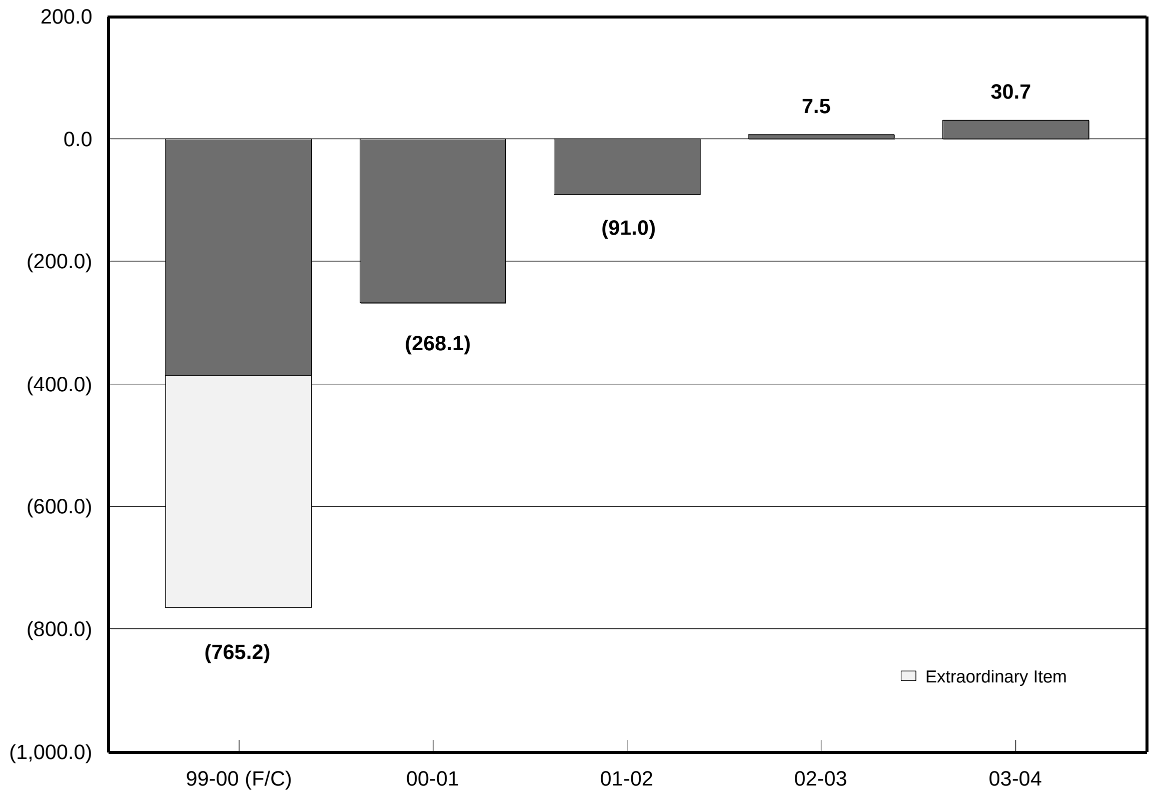


FISCAL PLAN 2000-2001 to 2003-2004 — *Schedule 15*

($ millions)

	ESTIMATE 1999-2000	FORECAST 1999-2000	ESTIMATE 2000-2001	ESTIMATE 2001-2002	ESTIMATE 2002-2003	ESTIMATE 2003-2004
Revenue	4,623.0	4,783.8	4,794.9	4,858.5	4,990.6	5,067.5
Net Program Expenses	4,215.1	4,245.9	4,058.0	3,968.7	4,003.8	4,041.3
Restructuring Costs	16.1	16.1	88.0	126.0	107.0	109.5
Net Program Expenses	4,231.2	4,262.0	4,146.0	4,094.7	4,110.8	4,150.8
Debt Servicing Costs	949.3	949.0	1,049.5	1,020.5	1,043.5	1,054.8
Less: Sinking Fund Earnings	(149.7)	(134.9)	(150.4)	(159.9)	(166.9)	(164.5)
Net Debt Servicing Costs	799.6	814.2	899.1	860.6	876.6	890.3
Net Expenses	5,030.7	5,076.2	5,045.2	4,955.2	4,987.4	5,041.1
Consolidation Adjustments	(88.9)	(94.3)	(17.9)	5.8	4.3	4.3
Provincial Surplus (Deficit) before Extraordinary Item	(496.6)	(386.7)	(268.1)	(91.0)	7.5	30.7
Extraordinary Item (Sydney Steel Corporation)	---	(378.5)	---	---	---	---
Provincial Surplus (Deficit)	(496.6)	(765.2)	(268.1)	(91.0)	7.5	30.7

PROVINCIAL SURPLUS (DEFICIT) *Chart 3*
Fiscal 1998-1999 to 2003-2004
($ millions)



With this budget, the Nova Scotia government is embarking on a four-year plan to fiscal stability. The plan will see deficits gradually eliminated with a small surplus in fiscal 2002-2003, and a surplus and tax cut in fiscal 2003-2004.

The objective is to re-make government into a government that reflects the priorities of Nova Scotians. This means a smaller, less costly government, that concentrates on those areas of responsibility where government belongs. The result will be a more efficient, service-oriented government that operates within its means.

That result will be achieved by careful adherence to the government's four year fiscal plan. Under this plan, revenues, fueled by private-sector led economic growth, will increase. It is therefore critical that the cost of running government does not grow with revenues, but remains relatively constant. By keeping program expenses flat, revenue growth will eliminate the need for deficit financing in fiscal 2002-2003. As revenues continue to grow, a larger surplus will enable the government to return increased revenues to Nova Scotians in the form of a 10 per cent tax cut in fiscal 2003-2004.

The size of Nova Scotia’s debt means that debt servicing costs will remain high throughout the four year plan. Debt servicing costs will start to decline once deficit financing is eliminated and surpluses can be applied to the principal.

Overview of Debt Management in Fiscal 1999-2000

The fiscal year ended March 31, 2000, marked the second full year of operation of the Debt Management Committee and its reporting sub-committees. The Committee oversees the debt management function of the Province by providing staff with strategic objectives and guidelines for financial risk management and capital market activities. The Committee exercises its authority by delegating certain functional tasks through sub-committees such as the Credit Sub-Committee, the ISDA Sub-Committee, the Cash Forecasting Sub-Committee, the Investors Relations Sub-Committee, and the Internal Audit Sub-Committee.

In fiscal 1999-2000, the Province borrowed approximately $1.5 billion, up from the previous year's level of $1.35 billion. The Province took advantage of favourable market conditions domestically to complete the year's borrowing needs and refinancing of existing debt and to pre-borrow for the 2000-2001 fiscal year. The Province borrowed most of its requirements for 1999-2000 in Canadian financial markets, non-Canadian issues were fully hedged into Canadian dollars.

Treasury Services was very busy in the Canadian money markets with more than $14.8 billion of cash flows, issuing short-term debt and buying short-term investments.

The Department of Finance has embarked on a changeover in its Treasury Systems to improve administrative functions and to manage the greater degree of complexity in the debt portfolio. This system was installed during fiscal 1999-2000 and was almost fully implemented by year-end. The system fully integrates the front-office, mid-office, and back-office functions.

Structure of the Debt Portfolio

The following five profiles describe the overall structure and risk profile of the Province's Debt Portfolio: 1) issuance market; 2) maturity schedule; 3) foreign currency; 4) interest rate mix; and, 5) derivative counter party.

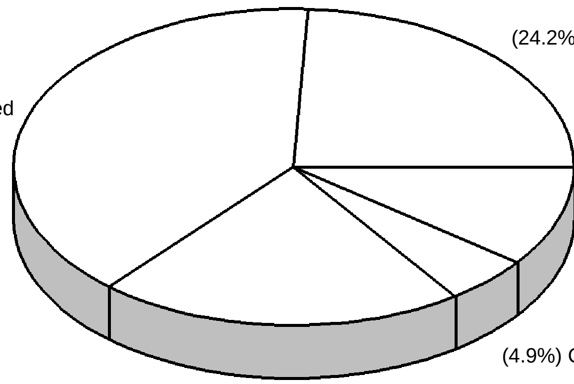
1) Issuance Market

In the 1999-2000 fiscal year, the Province accessed the Canadian domestic market by issuing two term debt issues, a Euro-Canadian issue, a Euro-currency loan, a number of structured Medium Term Notes (MTN), and four private placements under the domestic MTN program. The overall size of the borrowing program increased to $1.5 billion from its original forecast of $1.2 billion. The increase in the borrowing program was used to pre-borrow for the 2000-2001 fiscal year and to pay out the Sydney Steel Corporation lines of credit that were guaranteed by the Province. Chart 4, titled "Consolidated Fund Debt Portfolio - Issuance Profile" outlines the composition of debt issued in the 1999-2000 fiscal year.

The Province continues to diversify its borrowing sources as this is an important factor in lower financing costs and maintaining a broad demand for Nova Scotia debt issues. In February 2000, the Province launched an Euro-Medium Term Note program (EMTN) to provide more timely and efficient access to European institutional and retail markets.

CONSOLIDATED FUND DEBT PORTFOLIO - Issuance Profile, 1999-2000

Chart 4



2) Term to Maturity

The weighted average term to maturity of the Debt Portfolio at March 31, 2000, was reduced to 10.6 years from approximately 11.0 years, a year earlier. Chart 5, titled "Consolidated Fund Debt Portfolio - Maturity Schedule" displays the maturity profile of the Province's Debt Portfolio. The currency exposures are shown prior to the effect of derivative transactions. Debt maturities increase over the next two years to $1.0 billion in 2000-2001 and $878.9 million in 2001-2002 from $402.0 million in fiscal year 1999-2000 (see Chart 5; Page A40). These amounts are partially offset by Sinking Funds established to retire each debt issue and the Public Debt Retirement Fund (PDRF).

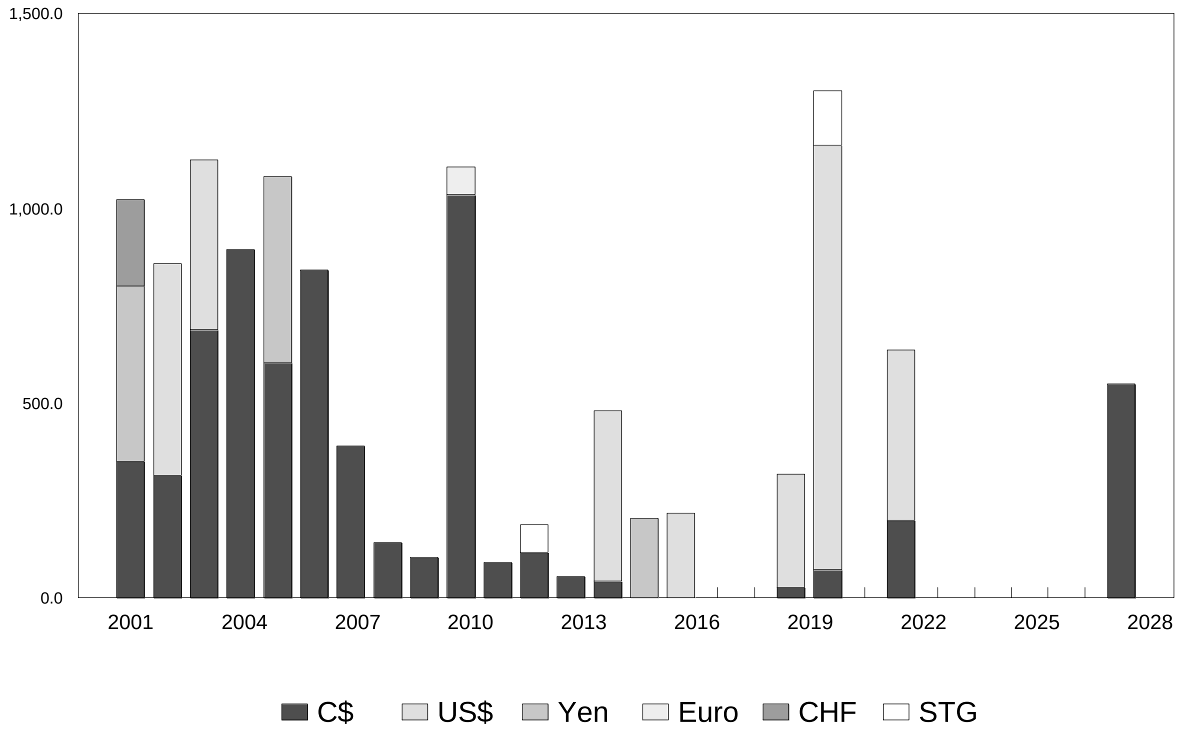
3) Foreign Currency Exposure

The Canadian dollar denominated debt represented the largest share of the Debt Portfolio at 64.4 per cent based on the face value in Canadian dollars, excluding Sinking Funds and Debt Retirement Funds, up from 48.7 per cent a year earlier. The reduction in foreign currency exposure during 1999-2000 was due to the improvement in the value of the Canadian dollar, the Canadian dollar financing, and the impact of derivative transactions conducted over the past year.

The Nova Scotia Provincial Finance Act requires that the Province reduce its foreign currency exposure to under 20 per cent. The Government furthered the effort by announcing in the October 1999 budget that all foreign currency debt coming due for a term exceeding one year will be refinanced in Canadian dollars or on a fully hedged basis. Government intends to introduce legislation to formalize this change.

CONSOLIDATED FUND DEBT PORTFOLIO - Maturity Schedule *Chart 5*

(in C$ millions)



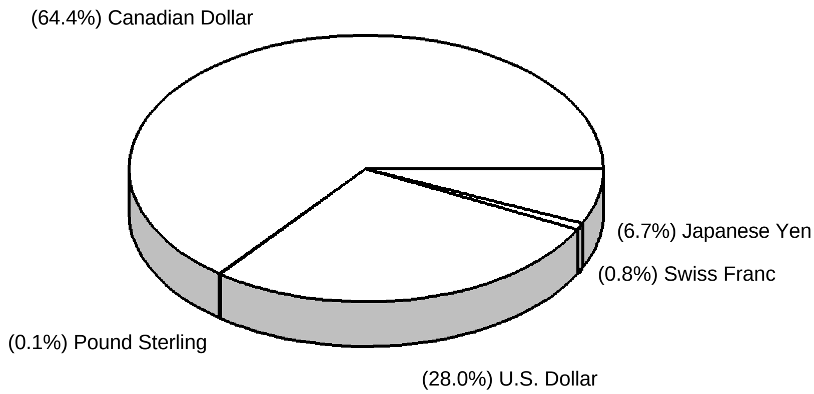
In 1999-2000, the value of the Canadian dollar against the US dollar, on a year-to-year basis, rose by 3.7 per cent from $1.5092 ($0.663 USD/CAD) to $1.4535 ($0.688 USD/CAD) for the Canadian dollar per USD. The value of the Japanese Yen rose to 102.7 from 118.4 Yen per USD to the detriment of the Province. The Province's largest non-Canadian currency exposure remains to US dollars at 28.0 per cent. Japanese yen exposure is the second largest foreign exposure at approximately 6.7 per cent. Chart 6, titled "Consolidated Fund Debt Portfolio - Foreign Currency Exposure" displays the current profile of the Province's Debt Portfolio after the use of derivatives.

The Province of Nova Scotia has historically carried a significant foreign currency exposure in its Debt Portfolio. By March 31, 1995, the Province's foreign exchange exposure stood at 72.4 per cent, based on the face value in Canadian dollars. Since that time, the Department of Finance has been actively managing the debt portfolio to reduce foreign currency exposure. The Department of Finance had steadily reduced the foreign exposure and by March 31, 1999, the foreign exposure stood at 51.3 per cent.

Over the past year the Department of Finance further reduced the foreign currency exposure, and by March 31, 2000, it stood at 35.6 per cent, based on the face value in Canadian dollars. Chart 7 shows the progress the Province has made in reducing foreign exchange exposure. The Chart also shows that with no further active management of the debt portfolio, at the current level of exchange rates, the Province will meet its objective of 20 per cent foreign exchange exposure by March 31, 2005.

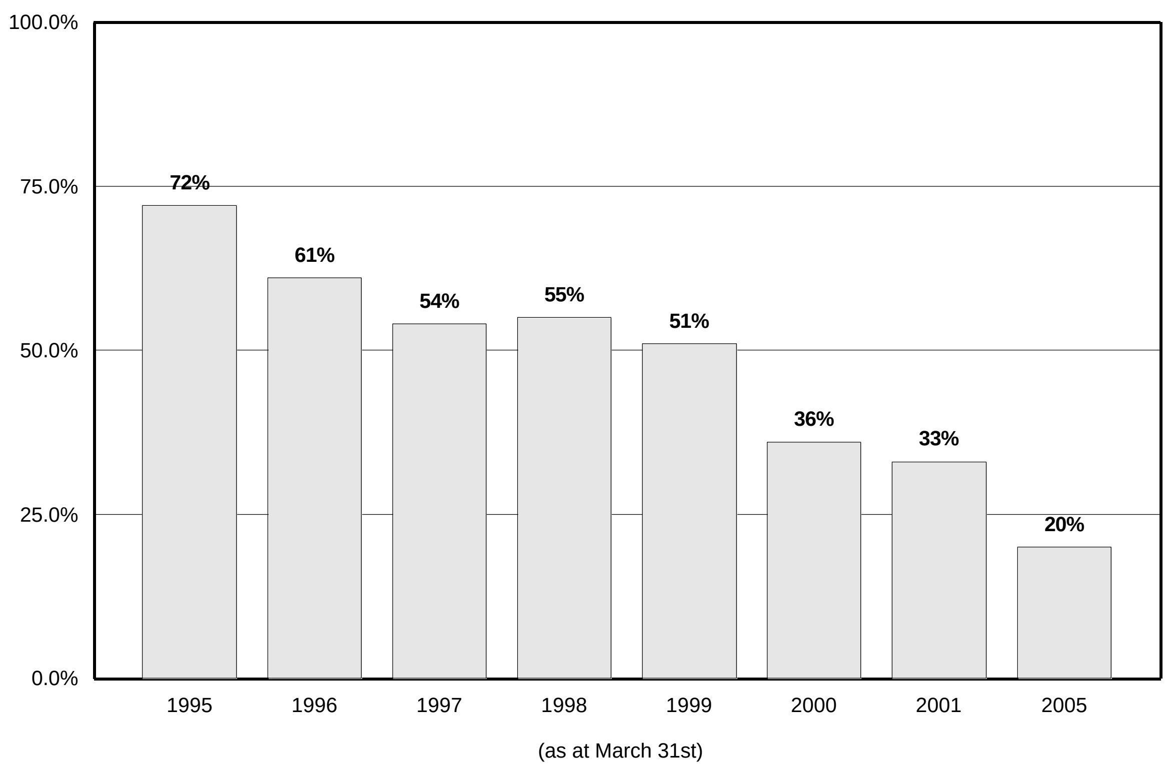
CONSOLIDATED FUND DEBT PORTFOLIO -
Foreign Currency Exposure
(at March 31, 2000)

Chart 6



CONSOLIDATED FUND DEBT PORTFOLIO -
Foreign Currency Exposure

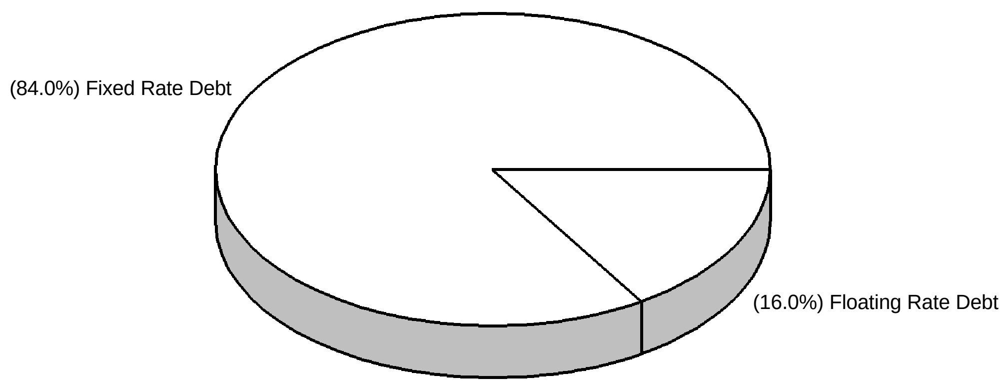
Chart 7



4) Interest Rate Mix

The Debt Portfolio's exposure to floating interest rates has decreased slightly over the past year from a net of 19.0 per cent to 16.0 per cent for the fiscal year ended March 31, 2000, and this level is at the lower end of the Province's floating rate exposure policy. The Province has a policy of keeping floating rate exposure in the range of 15% to 35% of debt outstanding. This reduction is due to the action undertaken by the Liability Management Division to reduce floating rate exposure in reaction to anticipated interest rate hikes. Having 84.0 per cent of the total principal in fixed rate form provides stability in DSC for future years. Chart 8, titled "Consolidated Fund Debt Portfolio - Fixed And Floating Rate Debt" displays the interest profile of the Province's Debt Portfolio.

CONSOLIDATED FUND DEBT PORTFOLIO - Fixed and Floating Rate Debt *Chart 8*

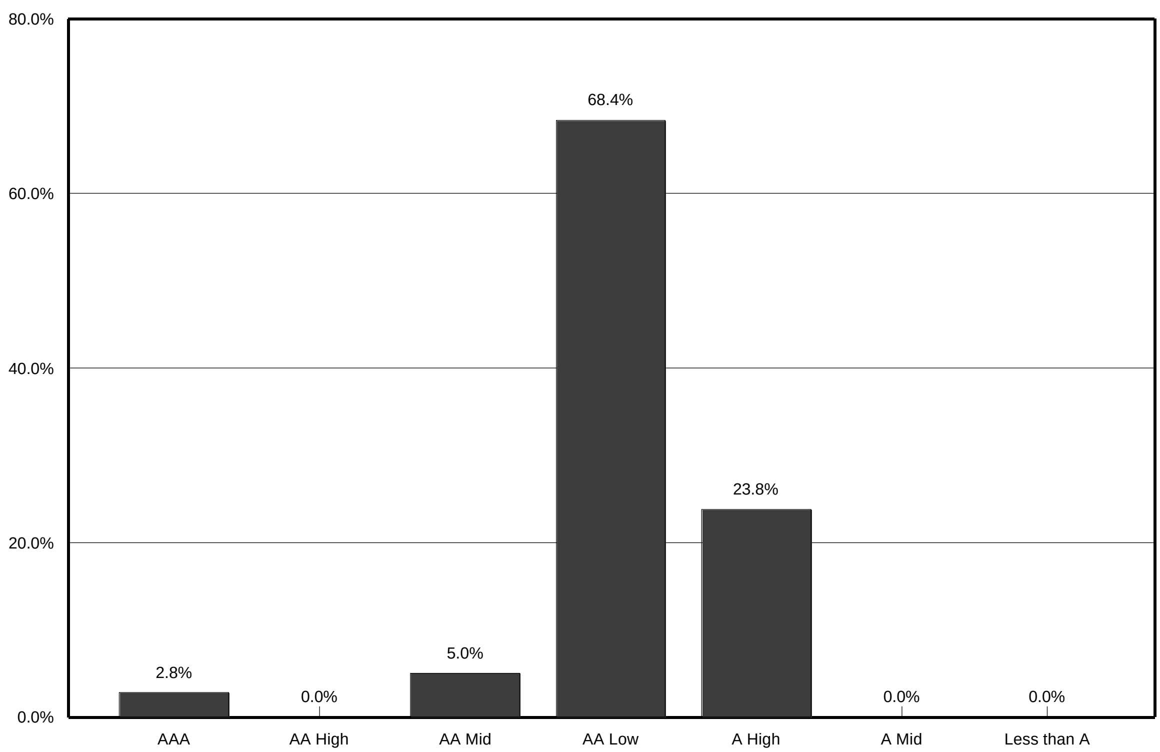


5) Derivative Counterparty Exposure

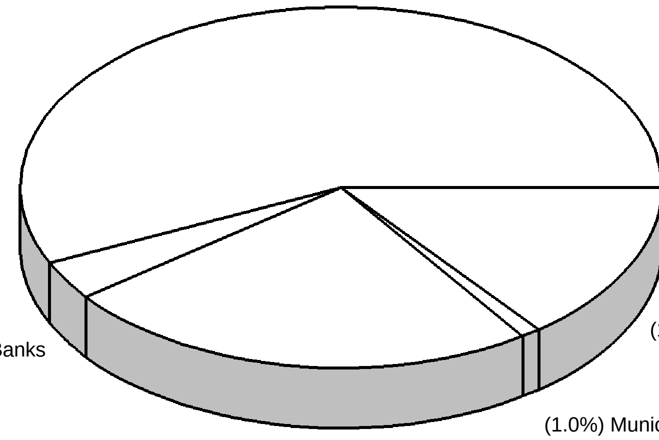
The Province is currently party to approximately $3.1 billion notional face value of derivative transactions. The Province's credit policy is that it only executes derivative transactions with well rated counterparties. All counterparties are rated equal to or better than the Province. The Liability Management Division actively manages credit risks of the derivative portfolio. All counterparty exposure and limits are reviewed monthly by the Credit Sub-Committee of the Debt Management Committee. Chart 9, titled "Consolidated Fund Debt Portfolio - Derivative Counterpart Rating" displays the percentage exposure with counterparties of various ratings. When a counterpart has a split rating, the Province uses the lower of the two ratings.

CONSOLIDATED FUND DEBT PORTFOLIO - Derivative Counterpart Rating

Chart 9



Sinking and Public Debt Retirement Funds *Chart 10*
Investments by type of Issuer
(on a Book Value Basis)



Structure of Sinking Funds and Public Debt Retirement Fund

At March 31, 2000, the estimated book value of the Sinking Funds is $1,943.8 million and the Public Debt Retirement Funds (PDRF) is $938.2 million. The policy objectives of the sinking fund and the PDRF are to manage interest rate and currency exposure, manage short-term liquidity, assist in the refunding of maturing debt while at the same time providing a long term investment return to the Province. The assets of the Sinking Fund and PDRF are invested in high quality investments subject to approval by the Credit Sub-Committee of the Debt Management Committee. As at March 31, 2000, over 81.0 per cent of the assets were invested in either federal or provincial debt obligations. Chart 10, titled "Sinking and Public Debt Retirement Funds - Investment by Type of Issuer" further details the breakdown of the investments held by the Sinking Funds and the PDRF.

DEBT SERVICING COSTS - Sensitivity Analysis

Schedule 16

Change in Financial Market Value	***Change in Debt Servicing Costs*** *(C$ millions)*
1% change in Canada 3-Month Treasury Bill	9.0
1% change in Canada 10-Year Bond	3.7
1% change in US 3-Month Treasury Bill	3.5
1 Canadian cent change per 1 US dollar	2.5
1 Japanese yen change per 1 US dollar	0.6

Debt Servicing Costs - Sensitivity Analysis

Actual Debt Servicing Costs (DSC) will vary from estimated amounts due to the dependence of DSC on certain financial market variables. The assumed levels for financial market variables are listed in Schedule 17. The sensitivity of DSC estimates for the key variables is listed in Schedule 16. The sensitivities show how much DSC would change if a variable changed from the assumed level for a full year. For example, if the Canadian dollar was one (1) cent stronger relative to the assumed level of $1.4620 for the entire fiscal period from April 1, 2000, to March 31, 2001, then DSC would decrease by $2.5 million, all other factors held constant.

INTEREST RATE and FOREIGN EXCHANGE RATE ASSUMPTIONS

Schedule 17

	ESTIMATE *1999-2000*	***AVERAGE*** *1999-2000* ***Actual***	***ACTUAL*** *31-MAR-2000*	***Assumptions*** ***ESTIMATE*** *2000-2001*	***ESTIMATE*** *2001-2002*	***ESTIMATE*** *2002-2003*	***ESTIMATE*** *2003-2004*
Foreign Exchange Rates							
United States Dollar							
CAD/USD	1.4815	1.4709	1.4535	1.4620	1.4285	1.4085	1.3888
USD/CAD	$0.6750	$0.6799	$0.6880	$0.6840	$0.7000	$0.7100	$0.7200
Japanese Yen							
JPY/USD	103.0	111.3	102.7	98.0	92.0	87.0	82.0
CAD/JPY	0.01214	0.01321	0.01416	0.01282	0.01299	0.01409	0.01389
Swiss Franc (A)							
CHF/USD	1.4700	1.5534	1.6625	1.4300			
CAD/CHF	1.0078	0.9469	0.8743	1.0224			
10-Year Government Rates							
Canada	5.25%	5.81%		6.50%	6.50%	6.25%	6.25%
3-Month Treasury Bill Rates							
Canada	4.75%	4.76%		5.75%	5.50%	5.50%	5.50%
United States	4.50%	5.07%		6.25%	4.75%	4.75%	4.75%

All assumptions are shown as average levels for the relevant fiscal year.

Interest Rate and Foreign Exchange Rate Assumptions

The interest rate and foreign exchange rate assumptions that are used to estimate fiscal year 2000-2001 Debt Servicing Costs (DSC) are shown in the column "2000-2001 Assumptions" in Schedule 17. This Schedule also shows the assumptions used to estimate DSC for fiscal year 1999-2000 and the actual levels achieved in that fiscal year. The column "1999-2000, Average Actual" shows the average actual level for the period from April 1999 to March 2000. The column "31-Mar-2000, Actual" shows the actual level on March 31, 2000.

(A) - The Province of Nova Scotia's remaining Swiss Franc issue matures in fiscal 2000-2001.

PROJECTED DEBT SERVICING COSTS *Schedule 18*

($ millions)

	ESTIMATE *1999-2000*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*	***ESTIMATE*** *2001-2002*	***ESTIMATE*** *2002-2003*	***ESTIMATE*** *2003-2004*
Gross Debt Servicing Costs	949.3	949.0	1,049.5	1,020.5	1,043.5	1,054.8
Less: Sinking Fund Earnings	(149.7)	(134.9)	(150.4)	(159.9)	(166.9)	(164.5)
Net Debt Servicing Costs	799.6	814.2	899.1	860.6	876.6	890.3

PROJECTED BORROWING REQUIREMENTS *Schedule 19*

($ millions)

	ESTIMATE *1999-2000*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*	***ESTIMATE*** *2001-2002*	***ESTIMATE*** *2002-2003*	***ESTIMATE*** *2003-2004*
Government Operations	407.7	386.6	268.1	91.0	(7.5)	(30.7)
Non-Cash Requiring Transactions (1)	54.3	209.9	147.4	7.6	46.2	25.3
On-Lending	---	182.3	(0.7)	(29.1)	(27.1)	(26.3)
Cash Operating Requirements	**462.0**	**778.8**	**414.8**	**69.5**	**11.6**	**(31.7)**
Cash Debt Retirement	**421.4**	**402.5**	**1,035.9**	**878.9**	**1,141.2**	**902.0**
Public Debt Retirement Fund Income (2)	66.7	67.9	61.9	46.4	34.4	30.9
Public Debt Retirement Fund Withdrawals	---	---	(250.0)	(250.0)	(150.0)	---
Net PDRF requirements	**66.7**	**67.9**	**(188.1)**	**(203.6)**	**(115.6)**	**30.9**
Sinking Fund Instalments (3)	242.6	242.6	286.8	253.8	262.5	271.7
Sinking Fund Income (2)	149.7	135.2	148.8	156.2	162.4	164.2
Sinking Fund Withdrawals	(145.5)	(145.5)	(296.0)	(125.3)	(406.7)	(209.8)
Net Sinking Fund Requirements	**246.8**	**232.3**	**139.6**	**284.7**	**18.2**	**226.1**
Total Borrowing Requirements	**1,196.9**	**1,481.5**	**1,402.2**	**1,029.5**	**1,055.4**	**1,127.3**
Term Debt Borrowing (Proceeds)		1,506.6				
Short-Term Borrowing		(25.1)				
Total Borrowing Requirements		**1,481.5**				
Term Debt Borrowing (Proceeds):						
Domestic Syndicated Issues (2 Issues)		593.8				
Euro Issues		319.2				
Structured Domestic Issues (6 Issues)		519.7				
Canada Pension Plan (1 Issue)		73.9				
Total - Term Debt Borrowing		**1,506.6**				

(1) - Includes deferred recognition of federal transfer payments, amortized foreign exchange losses, transfers to pension funds, net capital advances, GST/PST harmonization payments, and other non-cash requiring transactions.

(2) - Sinking Fund and Public Retirement Fund income is included in the calculation of the provincial (surplus)/deficit but retained in the funds and therefore not available for consolidated fund operating activities. Thus it is shown as a borrowing requirement.

(3) - Sinking funds are required to be maintained for certain debt issues in accordance with debenture covenants. The Province maintains sinking funds for all debt issues as a matter of policy. Public Debt Retirement Funds are designed to help manage short term liquidity and prefunding.

PROJECTED GROSS and NET DEBT

Schedule 20

($ millions)

	ESTIMATE *1999-2000* ***(recast)***	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*	***ESTIMATE*** *2001-2002*	***ESTIMATE*** *2002-2003*	***ESTIMATE*** *2003-2004*
Gross Debt						
Opening Balance	**11,915.6**	**11,915.6**	**12,389.2**	**12,813.1**	**12,934.2**	**12,816.1**
Borrowing Program	1,196.9	1,506.6	1,402.2	1,029.5	1,055.4	1,127.3
Debt Retirement	(421.4)	(402.5)	(1,035.9)	(878.9)	(1,141.2)	(902.0)
Foreign Exchange (Gain)/Loss	50.5	(160.1)	56.9	(58.6)	(59.4)	(53.8)
On-Lending	(143.9)	(182.3)	0.7	29.1	27.1	26.3
Change in Net Unfunded Debt	---	(288.1)	---	---	---	---
Closing Balance	**12,597.7**	**12,389.2**	**12,813.1**	**12,934.2**	**12,816.1**	**13,013.9**
Less: Public Debt Retirement Funds						
Opening Balance	**870.3**	**870.3**	**938.2**	**750.1**	**546.5**	**430.9**
Earnings	66.7	67.9	61.9	46.4	34.4	30.9
Debt Retirement	---	---	(250.0)	(250.0)	(150.0)	---
Closing Balance	**937.0**	**938.2**	**750.1**	**546.5**	**430.9**	**461.8**
Less: Sinking Funds						
Opening Balance	**1,711.5**	**1,711.5**	**1,943.8**	**2,083.4**	**2,368.1**	**2,386.3**
Instalments and Serial Retirements	242.6	242.6	286.8	253.8	262.5	271.7
Earnings	149.7	135.2	148.8	156.2	162.4	164.2
Debt Retirement	(145.5)	(145.5)	(296.0)	(125.3)	(406.7)	(209.8)
Closing Balance	**1,958.3**	**1,943.8**	**2,083.4**	**2,368.1**	**2,386.3**	**2,612.4**
Net Debt	**9,702.4**	**9,507.2**	**9,979.6**	**10,019.6**	**9,998.9**	**9,939.7**

Gross Debt includes outstanding debentures, short term promissory notes net of related investments, debt associated with hospitals and public schools, debt assumed for Teachers' Pension Fund, and Members' Retiring Fund, less on-lending. The amount does not include the deficiency in net assets of the Crown corporations, Nova Scotia Resources Limited and Sydney Steel Corporation, nor certain pension liabilities.

PROJECTED CONSOLIDATED STATEMENT of NET DIRECT DEBT

Schedule 21

($ millions)

	ACTUAL *1998-1999*	***FORECAST*** *1999-2000*	***ESTIMATE*** *2000-2001*	***ESTIMATE*** *2001-2002*	***ESTIMATE*** *2002-2003*	***ESTIMATE*** *2003-2004*
Opening Balance	**9,290.5**	**9,928.2**	**10,713.3**	**10,981.4**	**11,072.4**	**11,064.9**
Add (Deduct):						
Provincial (Surplus) Deficit	385.4	765.2	268.1	91.0	(7.5)	(30.7)
Provision for Change in Unfunded Pension Liabilities	252.3	---	---	---	---	---
Provision for Change in Accounting Policy for Tangible Capital Assets	---	19.9	---	---	---	---
Increase (Decrease) in Net Direct Debt	**637.7**	**785.1**	**268.1**	**91.0**	**(7.5)**	**(30.7)**
Closing Balance	**9,928.2**	**10,713.3**	**10,981.4**	**11,072.4**	**11,064.9**	**11,034.2**

Net Direct Debt

Net Direct Debt is calculated by subtracting the total amount of assets from the total amount of liabilities recorded on the province's financial statements at the end of each fiscal year.

Net Direct Debt will also be subject to further adjustments as the final impact of the revised accounting policies for pensions and long term service awards is determined.