

Budget Address

Province of Nova Scotia

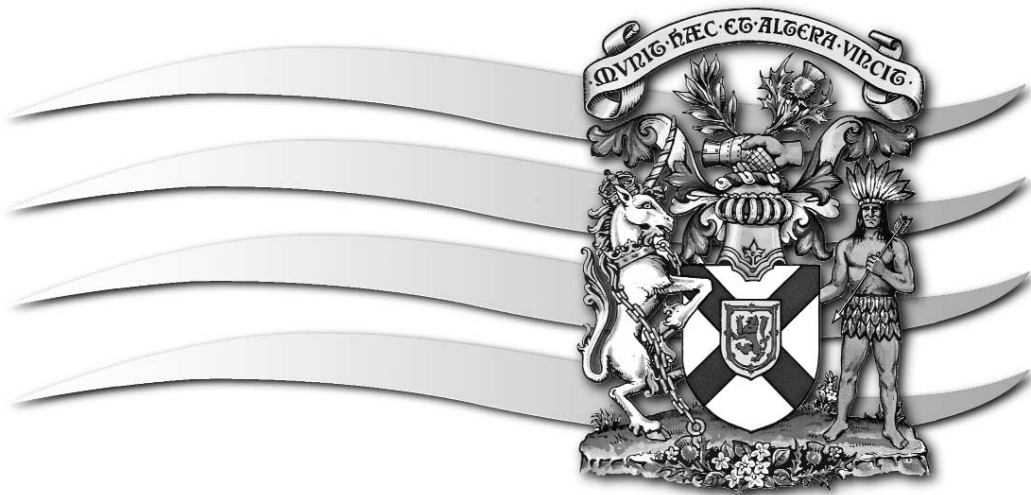


for the fiscal year 2001-02

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE

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Nova Scotia House of Assembly, March 29, 2001

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A growing economy

Mr. Speaker:

It is a privilege and honour to rise in my place and present the budget for 2001–02, the last year in which this minister—or any finance minister in this government—will project a budget deficit. The government's four-year fiscal plan is on course, on time, and on budget. This is the second budget our government has prepared and delivered; and each one has had as its foundation our commitment to fiscal responsibility, the provision of sustainable service, and an eye toward building a better future for our children. Next year every line in the budget will be written in black ink. The year after, Nova Scotians' income taxes will be 10 per cent lower.

This government will achieve those necessary financial milestones while fulfilling another unshakable commitment to Nova Scotians. We will secure for tomorrow, and enhance for today, the public services Nova Scotians hold most dear. This budget includes prudent investments in health care and in our future, the children of Nova Scotia.

This government came to office with a plan for Nova Scotia, based on the certainty that this province can and will have a better future. Our plan, advanced in each of our budgets, rested on the solid foundation of fiscal responsibility. But the goal is much broader. The goal is a self-reliant Nova Scotia, where every child has the opportunity to make the most of his or her life, and where Nova Scotians are assured of the highest quality public services. This budget pursues that goal.

Mr. Speaker, over the past year, Nova Scotians powered an economy that created thousands of new, lasting, and full-time jobs.

Nova Scotians are striding confidently into a new millennium, embracing the opportunities presented by a new world economy, new-found energy resources, and new trade prospects.

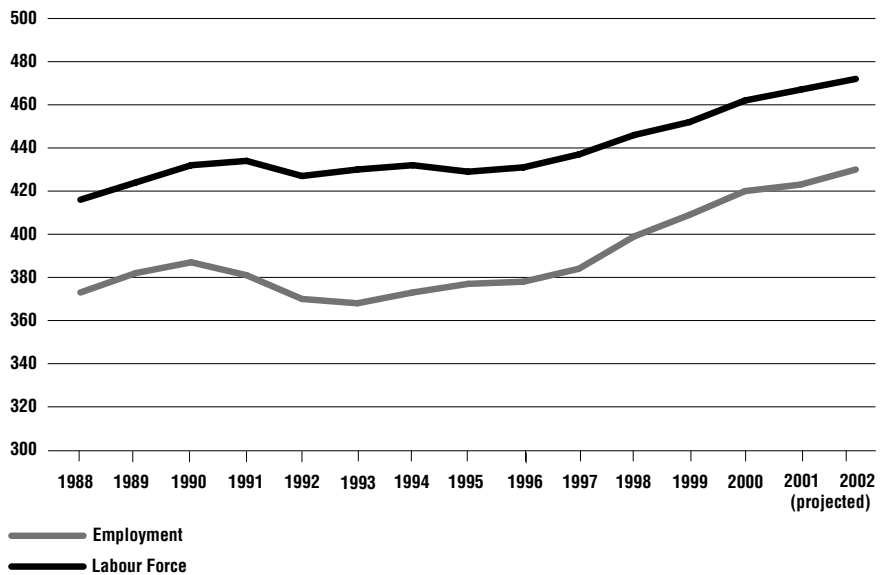
Fiscal plan on track—balanced budget next year

*Economy grew by
3% in 2000*

In this city and, with increasing confidence, right across this province Nova Scotians are taking hold of their own destiny and building, block by block, an economy that is resilient, sustainable, and inclusive.

The cold facts serve to prove the point. Last year the provincial economy grew by 3 per cent. Nearly 11,000 Nova Scotians who were looking, found jobs. And consumer spending increased by 4.7 per cent.

Nova Scotia Labour Market



Nova Scotians are making that happen, Mr. Speaker, and this government clearly understands its role. Government should be, and frequently is, a broker, a facilitator, a negotiator, a navigator, even a partner. But, as history teaches, government is a direct player at the taxpayers' peril. It must be noted, with resignation and no joy, that this year this government closed the Sydney Steel Corporation. We also set in motion a process that we hope will lead to the sale of Nova Scotia Resources Limited.

It is cliché and true: economic success is attained and sustained where governments successfully create a climate in which private enterprises, large and small, flourish. The conditions that contribute effectively to that climate include fiscal, and therefore tax, stability; able and dependable workers; and the means to move products to market.

A climate in which private enterprises flourish

With this budget, this government will vigorously pursue the first condition. In the near future, Nova Scotia will achieve fiscal stability, along with a tax climate that is both stable and more rewarding for working Nova Scotians and their families.

A tax climate that is stable and more rewarding for working Nova Scotians and their families

Nova Scotia has never suffered a shortage of dependable workers. New opportunities, however, bring new challenges. We must plan to meet those challenges. And we must always invest, where and when we can, in the future of our children.

Moving products to markets traditionally meant ships and trucks, planes and trains. Today, just as often, it means fibre-optic cable. Nova Scotia is connected, and competitive worldwide, in telecommunications infrastructure. Some of our more traditional infrastructure, however, is falling apart. Last year, this government reversed a destructive trend to ever-shrinking highways budgets. This year we will increase highways spending again.

Government respects every taxpayer ... spends every tax dollar with care

The government respects every taxpayer and spends every tax dollar with care. Each and every investment is made with an eye to the future, and an eye on the bottom line.

Responsible management

L'année passée, en ces mêmes lieux, je vous ai présenté un budget qui visait à mettre la Nouvelle-Écosse sur la voie de la sécurité financière et d'une réduction des impôts. À ce moment-là, j'avais informé la population que l'exercice 2000-2001 se terminerait par un déficit budgétaire de 268 M\$. Je peux maintenant vous confirmer que nos efforts ont modifié de façon importante l'objectif que nous nous étions fixé, et qu'il m'est possible d'annoncer aujourd'hui un déficit de 199 M\$ pour l'année qui se termine - ce qui est une amélioration considérable de notre objectif.

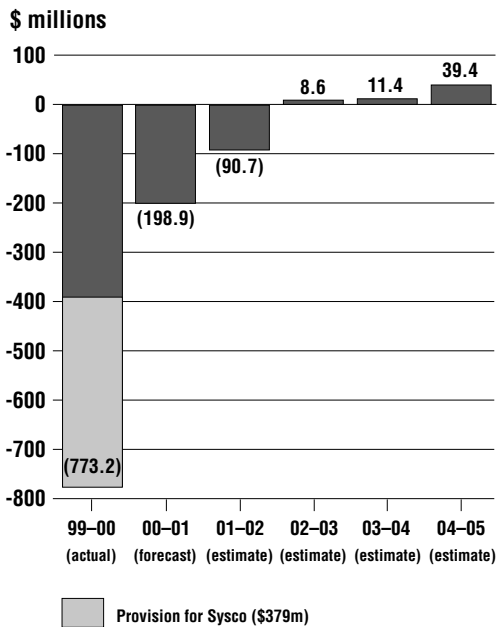
Significant improvement on deficit target: 2000-01 deficit now forecast at \$199 million

Translation: A year ago, I stood here in my place and delivered a budget that set Nova Scotia on a four-year path to financial security and lower taxes. At that time, I told Nova Scotians we would end fiscal 2000-01 with a deficit of \$268 million. I can now report that we have improved significantly on that target and now forecast a year-end deficit of \$199 million.

2001-02 deficit —\$91 million

For the fiscal year about to begin, 2001-02, we are estimating a deficit of \$91 million. As I said, the year after the red ink will disappear entirely.

**Fiscal Plan 1999–2000 to 2004–05
Provincial Surplus (Deficit)**



Sound management will result in most departments achieving their fiscal target for the year that is about to end. In the year ahead, that same vigilance—from every quarter and corner of Nova Scotia’s public sector—will be essential for success.

Most departments achieved targets

Great strides have been made in improving our ability to manage our spending, not just in government proper but right across the public sector. More than half the provincial budget flows

out to arm’s-length agencies, boards, commissions, and the new district health authorities. We will take significant steps designed to make these organizations more accountable for the tax dollars they spend and the results they achieve. Increased accountability will enhance our ability, working with those organizations, to manage to a budget target.

Accountability is a hallmark of good government and responsible management of the taxpayers’ money. It is important to note that the books of this province now reflect the most accurate and complete financial accounting found anywhere in this nation. Every expenditure for which the people have an obligation is in clear view. The assumptions upon which we base our revenue are reviewed by the Auditor General.

Books reflect accurate, complete financial accounting

*Year ahead marked by
economic uncertainty*

As we did last year, we are basing our 2001–02 revenue estimates on realistic economic assumptions, within the range of leading private-sector forecasters. But the year ahead is marked by uncertainty. Every day Nova Scotians are bombarded by pessimistic economic information, particularly from the United States.

It is often said that, if America sneezes, Canada catches a cold. That quip once accurately described the economic relationship of our two nations. Today, our national economy is more diverse, and Nova Scotia's economy is more resilient. But we are not isolated. Economic storms elsewhere will be felt here. Capital spending in the private sector is already slowing.

Forecast 2.3% growth

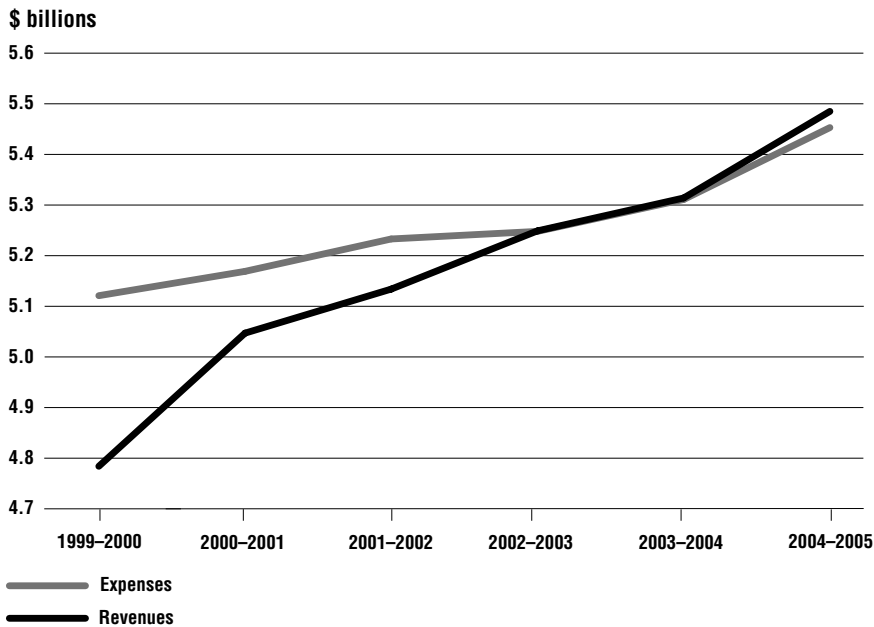
We can expect growth to moderate in Nova Scotia during this period. We are forecasting growth of 2.3 per cent for the year ahead.

Debt to exceed \$11 billion

Revenue gains have been significant over the past year, and while we expect revenue will continue to grow this year, it will be at a more modest pace. In a province of fewer than one million souls, burdened by a debt that exceeds \$11 billion, responsible management demands that we take our gains in stride and invest with diligence.

And diligence demands that we hold spending increases below the rate of revenue growth. We have accomplished that in this budget. Our total estimated spending for 2001–02 has increased by just 0.5 per cent over forecast spending for 2000–01. Revenues, based on the same comparison, are growing by 2 per cent. Estimate-to-estimate revenue is expected to grow by 7 per cent. The same comparison on the expenditure side shows that we will hold spending increases to less than 4 per cent. Let me repeat that. Spending will increase by less than 4 per cent, while revenue will increase by 7 per cent. That, Mr. Speaker, is responsible management of the province's finances.

Revenues and Expenses 1999–2000 to 2004–05



In the volatile international markets of today, perhaps the most difficult forecast we make is debt-servicing costs. Currency and interest rate changes and the peaks and valleys of the equity markets all influence our debt costs. We continue to take steps to reduce our foreign currency exposure. Thirty-one per cent of our debt is now held in foreign currency. We will reduce that exposure to 20 per cent by 2004.

For the year ahead, we are basing our forecast on a Canadian dollar in the range of 63 cents US, and Canadian interest rates for a 10-year bond at 5 1/4 per cent. Net debt-servicing costs are anticipated to be \$909 million, a number that highlights our financial trouble. Again this year, we are obligated to send more money to bankers than we are able to invest in the public schools that educate our children.

Debt-servicing costs anticipated to be \$909 million

*Recommit to responsible
fiscal management*

*Reasonable, responsible
agreements with public
sector unions*

Mr. Speaker, our economy is strong and our revenues reflect that strength. But that does not mean we should abandon sensible, responsible fiscal management. On the contrary, this is the time to recommit to that vital effort. A growing economy and growing revenues provide us with some financial flexibility. We are able to maintain public services at current levels, and selectively and carefully invest in a few priority needs. We will do that while meeting the deficit reduction and elimination targets set out in our fiscal plan.

We have reduced the size of government—the civil service payroll—by about 4 per cent, from 9,926 employees 18 months ago to an estimated 9,503 this year. Much of that reduction has been achieved through natural attrition and by not refilling vacant positions.

Across Nova Scotia, public-sector employers and the unions that represent public servants are in various stages of the collective bargaining process. Any increase in wages puts pressure on the public treasury. To date, reasonable, responsible agreements have been reached. The government hopes, and has a responsibility to ensure, that the trend continues.

Mr. Speaker, big budget numbers and macroeconomic statistics mean little to Nova Scotians looking for work and trying to feed their families. From region to region across this province, there are significant and persistent economic disparities. This government believes that all Nova Scotians, wherever they live, deserve every chance to earn a good living.

In Nova Scotia, opportunity has become synonymous with exploration, development, and production of offshore energy. Leadership has become synonymous with the premier and his determined efforts to seize for Nova Scotians future security and prosperity from that opportunity.

Our premier leads a campaign for fairness in the distribution of wealth from the offshore. Our premier leads the steadfast defence of Nova Scotia's interests in the Gulf of St. Lawrence.

Nova Scotia's goal is to be nothing less than a prosperous, self-reliant province, adding economic strength to a more vibrant Canadian federation. Our premier is leading us to that goal.

Toward self-reliance

New wealth from offshore energy ranks among Nova Scotia's greatest opportunities, but the story does not end there. Nova Scotians are leading the way into a new economy marked by innovation and creativity. In our universities and on our farms, in our leading-edge factories and literally on the cutting edge of our sawmills, Nova Scotians are discovering better ways and putting them to work for a better world.

With research from the Kentville food science centre, Case Van Dyke of Queens County is turning blueberries, the tastiest and healthiest little fruit on the planet, into the tastiest and healthiest pure fruit drink. Ocean Nutrition is fast becoming a world leader in research, development, and production of marine-based nutrition supplements. Innovative, high-tech sawmills, like MacTara Lumber, are maximizing the yield of sawlogs using computers and laser scanners.

In the workplaces of Nova Scotia, Nova Scotians are putting technology to work. And when we venture into our universities we find hundreds of research and development projects aimed at improving the quality of our lives and the condition of our planet.

At the Nova Scotia Agricultural College alone, research ranges from a study into the causes and cure of reproductive failure, to the impact of agriculture on our climate. The latter project, funded through the Canadian Foundation for Innovation, is developing new technology to improve air quality management in farming.

Mr. Speaker, the Province of Nova Scotia will support this kind of innovation and initiative.

Nova Scotians leading the way to a new economy

\$15 million invested to fuel innovation, support research and development

Today, I am announcing an investment of \$15 million that will fuel the innovative fire by supporting leading research, development, and commercialization opportunities in Nova Scotia. This provincial contribution, drawn from fiscal 2000–01, will trigger additional funding from Ottawa and from the private sector, through the Canadian Foundation for Innovation. Nova Scotia's initial investment has the potential to increase overall research and development funding in this province by almost 40 per cent.

Research and development will help lead the way, but in order to seize all the opportunities on our doorstep, more Nova Scotians must be equipped with the right tools. Much has been done. Much remains to be done.

Today, every school in the province is connected to the Internet. Thanks to the federal-provincial Information Economy Initiative, more than 6,200 computers have been placed in our schools, and 200 community access sites are spreading computer literacy to Nova Scotians where they live.

200 new NSCC seats; Virtual Campus to expand

An additional \$4.2 million is being provided to the Nova Scotia Community College. This year the Community College will expand the Virtual Campus. The Virtual Campus already takes programs and training to 800 Nova Scotians who, as a result, do not need to leave home or work to upgrade their skills. In addition, the college will create 200 new seats. Expanded access to community college programs means more Nova Scotians will be equipped with the skills to take their place, and succeed, in the job markets of today and tomorrow.

School for adult learning offers a second chance

For a variety of reasons, too many Nova Scotians slipped through, or out of, the education system before they had the most basic tools. The Nova Scotia School for Adult Learning gives them a second chance. This year \$1.5 million has been allocated to coordinate and enhance the network of programs that helps adults get their high school diploma.

Mr. Speaker, thanks to the initiative and foresight of enterprising Nova Scotians, we are world leaders in information technology training. As a province we must equal that success in other sectors, notably oil and gas. Today in Nova Scotia there are jobs unfilled because employers can't find workers with the required skills. Closing and eventually eliminating that skills gap will be a provincial priority and is a shared responsibility among government, industry, academic institutions, organized labour, and motivated, individual Nova Scotians.

This year government will lead in developing a skills strategy and commit additional funding in future years to implement an agenda that matches training to jobs.

The government is not standing still and waiting for the strategy. Currently in Nova Scotia 80 per cent of students who go on to post-secondary studies choose university, and only 20 per cent opt for community college. That compares to a national breakdown of 57 per cent to university and 43 per cent to college.

Nova Scotia has a proud university tradition and consistently leads the nation in university-educated citizens, as a percentage of population. That should not change. But young Nova Scotians need to be more aware of all career options and prospects. A new public school program will help make that happen.

This budget invests \$200,000 in the new Youth Pathways and Transitions Program, to help students plan and prepare for careers and further career-minded education. The program will track students' progress in acquiring basic job skills, using the Conference Board of Canada's list of employable skills. The second phase will include high school courses linked to community college and to the job market. Youth Pathways and Transitions will be available in some schools this fall and will be expanded across Nova Scotia over the next few years.

Skills strategy to be developed—will match training to jobs

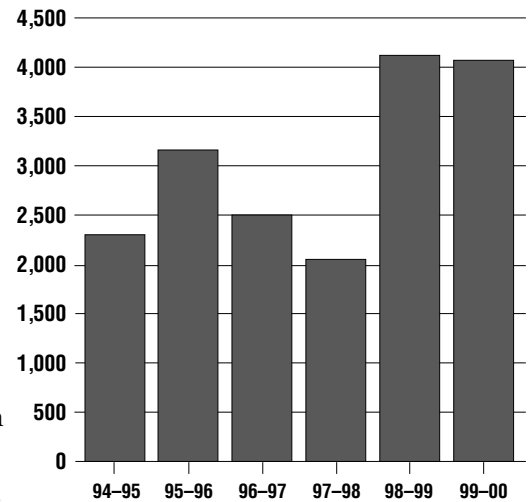
Youth Pathways and Transitions will help high school students prepare for careers

*4,380 social assistance recipients
upgrade training*

Nova Scotia Business Inc. launched

There is no greater expression of self-reliance than the personal accomplishment of Nova Scotians moving from dependence on the state to self-dependence. In the last fiscal year, 4,070 Nova Scotians moved off the welfare rolls and into paying jobs. Another 4,380 paved the way to the work force by upgrading their education or enrolling in skills training programs. This government's social assistance reform initiatives will make a positive difference in the lives of thousands of Nova Scotian families.

Number of Social Assistance Recipients Securing Employment



A new century, a new millennium, and a new economy require new ways to support economic activity. This year the province is creating a new economic engine called Nova Scotia Business Inc. This Crown corporation, at arm's length from government, is charged with a mandate to bring new investment to Nova Scotia, help existing business expand, and spread economic activity across the province. Between NSBI and the Department of Economic Development, there is an increase of \$8.5 million, year-over-year, in funds available for strategic economic investment. In all cases, those investments will be tied to performance.

Mr. Speaker, tourism is a sector that offers promise in bridging the economic divide between rural Nova Scotia and the more affluent metropolitan area. The province is increasing its overall investment in tourism and culture by \$1 million. Enhanced marketing and a longer season for visitor information centres are just two examples of the increased tourism-development efforts.

Mr. Speaker, every tax dollar government spends should be spent with purpose. This government is determined that taxpayers' dollars will be directed to specific initiatives, with defined benefits. Operating grants to a number of tourism-related, cultural and heritage groups will be reduced, and the funding redirected within those sectors. For example, grants to community museum boards will be reduced by 2 per cent, but \$100,000 in new funding is available to those same organizations for more clearly defined, strategic investment.

*Operating grants reduced; funds
reinvested in clearly defined initiatives*

Nova Scotia's rich music and culture have given our communities life for generations. More recently these immeasurable riches have become important to our economy. Again this year, we will provide \$250,000 for export-focused cultural activities. As well, the province will invest an additional \$400,000 in regional cultural activities and industries.

Farmers and farm families are the strength of much of rural Nova Scotia. This year the new Agricultural Development Institute will be in operation, with \$2.2 million from provincial taxpayers. Specialists from the institute will provide farmers with expertise in pest, weed, and disease management, as well as offering services related to livestock, horticulture, and forage and field crops.

*Agricultural Development
Institute launched*

Law-abiding fishermen are frustrated when they see the resource diminished by illegal fishing. This year, to combat illegal activity in the commercial fishery, the province will double its commitment, its effort, and its funding to \$250,000.

Mr. Speaker, sustainable forest practices must be the only forest practices. Partnerships among government, private woodlot owners, and harvesters will invest some \$9 million in silviculture on private lands this year alone. In addition, we will increase our silviculture investment on Crown lands by \$1.3 million, bringing the provincial investment in Crown land silviculture to \$3.5 million.

*Silviculture on Crown lands
enhanced by \$1.3 million*

All the vital economic sectors I just mentioned have one thing in common. They depend on the roads of Nova Scotia to move their product. In the past decade our network of highways and secondary roads has been neglected. The consequences are evident to every driver.

*Capital investment on
highways increased by
\$11 million*

*\$5 million set aside for Highway
101—to bring Ottawa to the table*

Tax credit review completed

Last year, despite severe and necessary restraint, this government reversed a troubling trend to shortchange the highways budget. This year we will do more. We will increase the capital investment on highways and bridges by some \$11 million to \$49 million.

Again this year, included in the operating budget of the Department of Transportation and Public Works is \$10 million for improvements and maintenance on rural roads.

The federal government has a responsibility for national transportation infrastructure, and in Nova Scotia that infrastructure includes many 100-series highways. The province has set aside an additional \$5 million from its capital budget as a tangible expression of our commitment to twin Highway 101. We sincerely hope this commitment will help bring the federal government to the table and to its senses.

Nova Scotians paid \$137 million last year in federal excise taxes on gas and diesel fuel. Surely that warrants more consideration than the \$2.5 million Ottawa returned as its contribution to our highways system.

Mr. Speaker, 18 months ago the government initiated a review of all provincial tax credits and rebates. The tax system must always be fair. Tax breaks must serve their purpose. Last year, following phase one of the review, some credits were modified and others sunset. The second and final phase of the review is now complete and included in the budget material is a full report.

In summary,

- Effective January 1, 2002, the value of the HST rebate on new housing materials is reduced, to a maximum of \$1,500.
- The small business tax credit is retained with minor refinements.
- The Equity Tax Credit, which encourages Nova Scotians to invest here at home, is extended to December 31, 2003.
- The Labour-Sponsored Venture Capital Corporation Tax Credit is continued, with refinements, until 2003.
- The HST rebate for volunteer and municipal fire departments is continued.
- The HST rebate on printed books and the HST rebate for persons with disabilities are both continued, unchanged.

Quality of service

Mr. Speaker, the government is determined to improve service to Nova Scotians and save taxpayers every dollar we can. Technology will help make that happen. Improvements this year put access to motor vehicle registration, and birth, death, and marriage certificates on line.

To support Registry 2000, land registration fee to increase

Registry 2000 is a monumental undertaking to migrate 250 years of land transactions into an electronic land registry. Soon, searching and recording land transactions will be a mouse click away. The cost of this improvement will be offset by an increase in land registration fees, from \$40 to \$70.

The award-winning Nova Scotia Business Registry will be expanded and upgraded. Business can do business with government 24 hours a day, seven days a week. This year, an added feature will let registered businesses know automatically when any of more than 30 permits and licences are coming due for renewal.

Business registry enhanced, more permits available on line, RMV in all counties

E-government reduces costs to taxpayers and clients alike, while increasing the speed and efficiency of transactions. With this in mind, Service Nova Scotia Express will come on line this year with self-serve terminals in 19 locations across the province.

Some transactions still require face-to-face service. Access Nova Scotia storefront offices are now located within 45 minutes of most every Nova Scotian. This year full Registry of Motor Vehicle service has been, or will be, expanded into five more counties: Queens, Guysborough, Shelburne, Richmond, and Hants.

Quality of life

Few services of government are more important to Nova Scotians than those that protect our health and our natural environment. In the wake of the tragic events in Walkerton, Ontario, wise governments everywhere are redoubling efforts to ensure the safety of water supplies. In Nova Scotia, new safe water regulations mean increased vigilance. Nova Scotia is fortunate. We have an abundance of safe, clean water. We need to make sure it stays that way.

This budget invests \$850,000 in the development of long-term strategies to safeguard our water supply and ensure the appropriate and safe disposal of sewage. As well, we are allocating funds to a new Canada–Nova Scotia Infrastructure program that will result in \$195 million invested in “green” infrastructure across the province over the next six years. Split equally among Ottawa, the province, and participating municipalities, these funds will build new water treatment, sewage treatment, and waste management systems in communities throughout Nova Scotia. A full 40 per cent of that funding is earmarked for rural areas that have been neglected for too long.

Nova Scotians cherish their own natural heritage and fully accept that we share a global responsibility for the earth’s environment. This province has long been a producer of fossil fuels, and offshore development means that won’t end soon. Our energy mix is changing. This budget allocates \$200,000 to develop two distinct, but intimately connected initiatives: a long-overdue energy strategy for Nova Scotia and strategies to ensure that this province meets its obligations to reduce greenhouse gases and their undeniable impact on the earth’s climate.

*Strategy to safeguard water;
ensure proper sewage disposal*

*\$195 million for “green”
infrastructure*

A commitment to health

Tobacco taxes to increase this year

Mr. Speaker, this government's commitment to the health of Nova Scotians, and to the health care system itself, is absolute. There are no tax increases in this budget, but there is a promise to raise the tax, this year, on one product—tobacco.

This year cigarettes will claim the lives of 1,600 Nova Scotians. Higher tobacco taxes won't save many old addicts, but higher prices will reduce the number of young smokers.

This government will continue to pursue an agreement with Ottawa and our neighbouring provinces to significantly increase taxes on tobacco products, while ensuring we do not become prey for cross-border tobacco smugglers. This may be a so-called revenue measure, but it is really a common-sense measure.

For years governments have talked about wellness and community-based health care. This year this government will act.

*Promote physical fitness, activity
among young Nova Scotians*

This budget increases funding to the Nova Scotia Sport and Recreation Commission by \$600,000, with the assurance that every penny will find its way to communities. It will support physical fitness and active living. Increasing activity among young Nova Scotians will be the priority.

*Community Health Boards
funded for the first time*

For the first time ever, funding is available to Community Health Boards, in the amount of \$1 million. These funds will support community-defined priorities and local smoking cessation programs.

Mr. Speaker, there are many reasons why our health care system must evolve. But chief among them is the shift in our population age. Nova Scotians, like it or not, are greying. The decisions and actions of today must put health care on the solid foundation it will need for the future. This budget reflects those decisions and that action.

Across Nova Scotia, beginning this year, older Nova Scotians and others in need of continuing care will access that care through a simple, single entry point. This program, piloted last year in eastern Nova Scotia, reduces wait times for those most in need. This year \$1.5 million in new funding will allow us to begin expanding this streamlined process province-wide.

Streamlined access to long-term care going province-wide

As our population ages, the demand for home care services and pressure on our long-term care facilities will only increase. Those two cornerstones of continuing care must be solid—first and foremost for the care they provide, but also to allow more efficient use of acute care services.

This budget increases funding to home care by \$10.5 million, to an estimated \$110 million. Home Care Nova Scotia currently provides health services to 23,000 Nova Scotians, allowing them to remain where they want to be, in their own homes. Funding for long-term care facilities will increase by \$19 million, to an estimated \$175 million. This will stabilize the sector and maintain the current number of long-term care beds.

Home care funding increased; long-term care sector stabilized

There are no magic solutions to health care funding pressures. Either governments manage those pressures and keep health care affordable, or those who require services will pay more, in some fashion, for those services.

No increase in Pharmacare premium, co-pay in 2001

In the year ahead, Pharmacare premiums and co-pay fees will not increase. But pressure on that program is increasing as the price of prescription medication climbs. Increases will be required in future years. The government will continue to work with its Pharmacare partners to ensure equity and access remain the guiding principles of Nova Scotia's Pharmacare plan.

Fee instituted for long-term care patients in acute care beds

As every Nova Scotian knows, patients in hospitals are not billed for their care. Residents in long-term care facilities, who are able to pay, do pay. Yet, in hospitals across this province, almost one in four beds are occupied by patients awaiting nursing home placement.

Therefore, we will expand a policy, tested in Cape Breton last year. Patients who have been medically discharged, but remain in hospital, will be charged \$50 a day. This fee is lower than what they will pay once they enter a nursing home, and recognizes that they are now long-term care patients.

This fee will net an estimated \$1 million on a \$1.82-billion health budget. Obviously it is not being done for the revenue it will bring. It is being instituted for consistency and equity and to promote efficiency in both the acute care and long-term care sectors.

Mr. Speaker, before coming to office, members of my party said we would work with nurses to address workplace issues, and we would move health care decision making closer to the communities affected by those decisions.

This budget makes good on both promises.

We have allocated \$5 million to begin implementing Nova Scotia's first nursing strategy. The strategy includes a four-point plan to: (1) support practising nurses; (2) support student nurses; (3) increase recruitment efforts; and (4) enhance professional development and mobility of nurses within Nova Scotia's health system. The strategy is in addition to, not instead of, other recent advances for nurses. Those include conversion of more than 100 casual positions to full time, increasing enrolment in our nursing schools by 30 per cent, and providing bursaries for student nurses.

Nova Scotia's first nursing strategy will address issues; increase recruitment

Monsieur le Président, les conseils d'administration des services de santé, situés loin des communautés qu'ils desservaient, sont l'affaire du passé. Neuf autorités régionales de la santé publique, plus rapprochées des communautés, ont remplacé ces conseils. Les autorités possèdent un pouvoir discrétionnaire réel et sont imputables des décisions qu'elles prennent et des fonds qu'elles dispensent. Le budget inclut une augmentation au financement des autorités, ce qui représente un pour cent (1%) en termes concrets, ou 8 M\$. En plus, la province a réservé des fonds afin de couvrir les coûts additionnels reliés aux augmentations possibles résultant des accords sur les salaires. Le gouvernement reconnaît que les autorités, ses partenaires dans les services de santé, auront à relever plusieurs défis et à prendre des décisions qui ne seront pas faciles. Elles commenceront leur première année complète d'opérations avec un financement stable et réaliste.

Translation: Mr. Speaker, remote regional health boards are a memory. Nine district health authorities, closer to the communities they serve, have taken their place. The DHAs have real decision-making power and are accountable for the decisions they make and the money they spend. This budget increases funding to DHAs, in real terms, by 1 per cent or \$8 million. In addition, the province will fund cost increases related to wage settlements. The government recognizes that its district partners in health care face many challenges, and the decisions they must make will be difficult. They will begin their first full year with realistic and stable funding.

District Health Authorities have realistic, stable funding

It has often and truly been said that those suffering mental illness are the forgotten in our health care system. This is tragic always, but perhaps acutely so when the children suffer. Nova Scotia is not alone in this sorry history, but what consolation is that? We must begin the healing.

Mental health services redesigned to offer care closer to home

This budget maintains funding levels established last year for early identification and intervention services at \$2 million. Children with special needs will have those needs met in time to make a real difference in their lives.

An additional \$500,000 will help redesign delivery of mental health services. A child and youth mental health project is now in development and will offer a plan to deliver care closer to home for those in need.

Mr. Speaker, quality information is essential to proper management. As the Auditor General so clearly articulated in his most recent report, systems to supply that level of information are lacking in health care and in some school boards.

The government will invest \$13 million to begin addressing those deficiencies. This funding is split between the fiscal year just ending and the new year.

Information systems to improve, support management

More than \$9 million will be invested in hospitals and other health facilities to support the evidence-based decision making that is fast becoming a feature of health care management in Nova Scotia. Electronic health records, with standardized information across the province, will enhance the speed and efficiency of patient care. A \$4-million expenditure on information management systems in education will begin improving financial management and tracking academic performance and results.

Investing in our children

Mr. Speaker, from the government's point of view, I held the most important features of this budget until the end.

Those are initiatives that begin an important process of renewal in our public schools, and new measures that will have a significant, positive impact on the lives and on the future of Nova Scotian children now living in poverty.

Every young Nova Scotian deserves every possible opportunity to make the most of his or her talents. Every child deserves the best possible start in life.

The province is determined to knock down the barriers that keep too many families dependent on social assistance. In partnership with the federal government, we are taking tangible action to help low-income families and, more specifically, their children.

The changes we are making will leave no family with less assistance than they receive today. Increased benefits will flow to low-income, working Nova Scotians and their children. And all future increases in the fully indexed National Child Benefit will automatically flow to the rightful recipients, poor Nova Scotian families.

Beginning July 1 of this year, the Nova Scotia Child Benefit will be substantially increased and altered, so that, in combination with the National Child Benefit, low-income families will receive \$1,700 a year for each child. All low-income families in Nova Scotia—working or on social assistance—qualify. This means additional financial support for 20,000 working families and 15,000 families on social assistance. In total, 60,000 Nova Scotian children will benefit.

A positive impact on the lives and future of children now living in poverty

Additional support for 35,000 families, 60,000 children

*Clawback of National Child
Benefit ends on August 1, 2001*

Families whose net annual income is less than \$16,000 will receive the maximum benefit. Families with a net annual income of between \$16,000 and \$20,921 will receive partial payments. The so-called clawback of the National Child Benefit from social assistance recipients ends on August 1, 2001.

This measure knocks a gaping hole in the welfare wall. Parents can move from social assistance to jobs without losing child benefits.

Mr. Speaker, a working family with three children and a net income of \$15,999 will see an annual increase in child benefits of \$1,650, or 48 per cent, on July 1.

To support these measures, this government is increasing its commitment to child benefits to \$30 million in fiscal 2001–02.

*Federal partnership means
\$9 million for early
childhood development*

In addition, Mr. Speaker, also in partnership with the federal government, \$9 million will be committed this year to early childhood development initiatives. This commitment—part of a five-year agreement—will be increased to \$12 million next year, and \$15 million the year after, where it will remain for the life of the agreement.

New funding will support a comprehensive home visiting program whereby nurses will help expecting and new mothers and their children get off to the right start. Much of the remainder of the early childhood development funding is earmarked for child care: to improve wages of child-care workers and to expand access through start-up grants to non-profit centres.

Mr. Speaker, the new, combined child benefit and the early childhood development initiative reflect the values of Nova Scotians, who believe every child should get the best possible start in life. Renewal in our public schools will set young Nova Scotians on the path to success.

In the weeks and months ahead, the province, working with partners across the education spectrum, will be engaged in a determined effort to renew our public schools. Not with bricks and mortar, although that job needs doing as well. But with vitality and energy. With standards and accountability. Parents, students, and teachers want our schools to be the best they can be. From modest beginnings, we are launching an effort that, over time, will bring the assurance that our schools have become just that—the best.

Parents, students, and teachers want our schools to be the best

Last year the government initiated the Active Young Readers program to help children in primary through grade 3 learn to read. This year, we will invest \$900,000 more to expand this program to grades 4 through 6, where children read to learn. In grade 6, all students will be tested for literacy. Test results will be available to parents and to junior high school teachers so they can support students who need extra help.

Active Young Readers extended through grade 6

This year the province will increase its investment in our children's future by \$13 million. That 2 per cent increase in the public schools budget comes at a time of declining enrolments. In the past year alone, the student population declined by more than 2,000 children. That reflects a 30-year trend. During this same period the number of teachers has remained relatively constant.

Student and Teacher Levels

Year	Students	Teachers
1960–61	178,563	6,604
1970–71	215,889	10,241
1980–81	185,585	10,904
1990–91	165,739	10,417
1999–2000	158,205	9,611

*\$3 million additional funding for
special education*

Ensuring that children are safe at school is critical. This budget allocates \$100,000 to support the students' code of conduct and another \$1 million to help school boards meet new health and safety regulations, including those for water quality.

The province is increasing funds to support children with special educational needs. An additional \$3 million has been budgeted for this vital effort.

The province is keeping its commitment to Nova Scotia's universities through increased operating funds of \$5 million, for a total investment of \$201 million. As announced last year, the province will no longer provide assistance for capital projects on university campuses after we fulfil a final obligation to St. Francis Xavier University.

The light of day

Mr. Speaker, very little remains to be said. Nova Scotians are building a more prosperous future. Opportunities are on our doorstep. Forty new wells will be drilled offshore over the next four years; exploration is moving into deep waters; Panuke and Sable II are both billion-dollar projects; we are new economy leaders and free traders in a free trade world.

Au plan financier, la province n'est pas sortie du bois ... pas encore; mais il nous est maintenant possible de voir un peu de lumière. Le budget que je vous ai présenté est fidèle à l'engagement que nous nous étions donné : celui d'une gestion financière responsable. Par conséquent, notre situation économique s'est renforcée et les revenus sont à la hausse. Nous maintenons l'augmentation des dépenses en-dessous du taux de croissance des revenus. Et c'est une mesure de prudence que nous tenons à respecter.

Translation: Financially, as a province we are not out of the woods, yet. But we can see the light of day. The budget I have just presented maintains our commitment to responsible financial management. Our strengthened economy is providing more revenue. We are holding the rate of growth in spending below the rate of revenue growth. That is prudent.

A portion of our increased provincial income will be invested, carefully, selectively in the priorities of Nova Scotians—the health of our people and the future of our children.

Thank you.

Total Ordinary Revenues 2001–02

Key Assumptions—March 27, 2001

Report of the Auditor General to the House of Assembly on the Estimates of Revenue for the Fiscal Year Ending March 31, 2002 Used in the Preparation of the March 29, 2001 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, 2002 (the 2001–2002 revenue estimates) are the responsibility of the Department of Finance and have been prepared by departmental management using assumptions with an effective date of February 27, 2001. I have examined the support provided by the department for the assumptions, and the preparation and presentation of the 2001–2002 revenue estimates of \$5,134,771,000 for total ordinary revenue. My opinion does not cover the 2000–2001 forecast, the 2001–2002 expenditure estimates, sinking fund earnings, nor the recoveries, use 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 accounting principles generally accepted for the public sector in Canada. Consistent with prior years, the 2001–2002 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 2001–2002 revenue estimate for total ordinary revenue, but included elsewhere in the 2001–2002 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 2001–2002 revenue estimates; and
- the 2001–2002 revenue estimates as presented reflect fairly such assumptions.

Since the 2001–2002 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 2001–2002 revenue estimates to be reasonable, I express no opinion as to whether they will be achieved.



E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
March 23, 2001

Economic Outlook

National Economic Assumptions

Canada's economy achieved another robust year in 2000, with GDP growing 5.0 per cent. This succeeded a similarly strong rate of growth in 1999. This growth can be seen in both the domestic and the export sectors. Labour income growth was just over 7 per cent, based on strong employment growth, wage increases, plus the added boost from the federal pay equity settlements, which according to Statistics Canada accounted for 0.5 per cent of labour income growth. Labour income posted its strongest growth in more than a decade. This strength will help to push personal income growth to 5.9 per cent.

The job markets for 2000 produced 379,000 new jobs, causing the unemployment rate to drop to 6.8 per cent from 7.6 per cent in 1999. More jobs producing more personal income had a positive impact on consumer spending. Retail sales were up by 6.2 per cent, while consumer spending on all goods and services was up by an estimated growth rate of 5.7 per cent. Increased spending on big-ticket items such as new motor vehicles help to explain this pace in consumer spending.

The vigour of Canada's economy can also be seen in the large increase in corporate profits, with growth over 20 per cent. The robust gain in corporate profits came from several sectors, including oil and gas, utilities, and manufacture of computer and telecommunications equipment.

The continued strong growth in corporate profits also opened the door to more business investments in 2000. Business investment expenditures focused on machinery and equipment, with growth projected to be in the double-digit range, according to Statistics Canada information.

The export sector played a large role in Canada's economic performance in 2000. The total value of exports of goods and services increased an estimated 14.4 per cent. Machinery and equipment exports were robust, along with high demand for natural gas and oil, and strong sales of electricity to California.

While 2000 was a strong year for the Canadian economy, most of the growth occurred in the first half. Comparing business inventories for the first two quarters of 2000 to the corresponding quarters of 1999 reveals a huge buildup of inventories. The level of inventories for the third quarter of 2000 was 55 per cent higher than in the second quarter of the year. These levels suggest an inventory correction through the fourth quarter of 2000 and into the first quarter of 2001.

This anticipated slower pace of economic activity to accommodate inventory adjustment reflects to a large degree the slowdown in the United States economy. Preliminary estimates of United States GDP growth in the fourth quarter was 1.4 per cent, following estimates of 5.6 per cent for the second quarter and 2.2 per cent for the third quarter. The outlook for the US economy in 2001 is for a slower pace to match productivity gains producing no inflationary pressures (a soft landing). This translates into a slower pace for the first half followed by a faster pace for the second, producing an annual growth rate of between 2.0 and 2.5 per cent. Momentum in the second half carries into 2002, resulting in an annual growth over 3.0 per cent. GDP growth in 2002 picks up energy from recent interest rate cuts by the US Federal Reserve Board.

The outlook for Canada is similar in terms of direction, but Canada is expected to grow at a faster pace than the US economy. The Canadian economy is expected to grow 2.7 per cent for 2001, followed by 3.3 per cent in 2002. This expectation of a stronger pace compared to the US, especially for 2001, reflects the increase in domestic demand resulting from the combined force of expansionary monetary and fiscal policies. The combination of lower income taxes and interest rates will support consumer confidence. Consumer spending is anticipated to grow by 4.4 per cent in 2001 and retail sales by 3.8 per cent.

This forecast calls for employment growth of 1.8 per cent, slightly higher than the growth in labour supply, at 1.7 per cent, in 2001. This results in a decline in the unemployment rate to 6.7 per cent.

A slower growth economy along with some pullback in energy prices will yield a lower inflation rate. This provides room for further relaxing in monetary policy. The Consumer Price Index is expected to grow at an annual rate of 2.5 per cent in 2001, down from 2.7 per cent in 2000.

As with any economic outlook, there are positive and negative risks. A weaker US economy than anticipated (a hard landing) would reduce export demand and trim the outlook for Canada's GDP growth. Energy problems in California continue to pose a risk and could further weaken the US economy: California accounts for about one-eighth of US GDP. Continued weak equity markets both in Canada and in the United States could lower consumer confidence and neutralize the positive impacts on consumer spending from lower income taxes and interest rates. A slower economy than anticipated would further weaken corporate profits, putting downward pressure on capital investments.

The Canada–United States softwood lumber agreement will end on March 31, 2001. Failure to renew the agreement or to reach an equivalent accommodation carries the threat of the United States imposing countervailing duties. Such a measure would reduce lumber exports in an already weakened market and exert a negative impact, although small, on the national economy. Lumber is a key export product for Canada, with most of the lumber destined for US markets.

A stronger recovery in United States than anticipated would be a positive risk to the Canadian economic outlook. Thus, the key issue for the 2001 outlook is the performance of the US economy.

The key national economic forecast assumptions incorporated into the budget are displayed in the schedule below. The assumptions are based on data and information available as of March 27, 2001.

National Forecast Assumptions	2000	2001	2002
Real Gross Domestic Product, 1992\$ (% increase)	5.0	2.7	3.3
Employment (% increase)	2.6*	1.8	2.0
Unemployment Rate (%)	6.8*	6.7	6.4
Personal Income (% increase)	5.9	4.2	4.1
Consumer Price Index (% increase)	2.7*	2.5	2.4
Retail Sales (% increase)	6.2*	3.8	4.9
Corporate Profits before Tax (% increase)	25.0	3.0	7.5
Exports of Goods and Services (% increase)	14.4	4.7	6.8

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

Provincial Economic Assumptions

The Nova Scotia economy achieved solid performance in 2000 after the record year for 1999. Real GDP grew 3.0 per cent in 2000, following a 5.2 per cent growth rate for 1999. Employment increased by 2.7 per cent, and the unemployment rate fell to 9.1 per cent.

Among industry sectors, employment growth in 2000 occurred chiefly in the construction, wholesale and retail trade, business services, and education and health services industry sectors. Similarly, the geographical distribution of job creation was also uneven. Most of the job growth in 2000 was concentrated in the service-based economy of Halifax Regional Municipality, and employment growth in the Northern region also exceeded the province-wide employment growth rate. Employment increased slightly in the Annapolis Valley, while the Southern region and Cape Breton Island experienced a decline in employment.

Exports and consumer spending were the main contributors to GDP and employment growth in 2000. By the end of the year, the Sable Offshore Energy Project (SOEP) was near full production and, combined with higher natural gas prices through the year helps to explain the huge increase in exports. Exports of goods and services grew by nearly 20 per cent in 2000. Nova Scotia's merchandise exports to international markets were up approximately 30 per cent, led by natural gas. By the fourth quarter of the year, natural gas had accounted for 26 per cent of merchandise exports. The strong growth in exports sales can also be seen in the export performance for other goods such as tires, fine paper, wood pulp, crab, scallops, and gypsum. Service exports to domestic and external markets also had a solid year of growth.

Expansion in the export sector supported large gains in corporate profits. Corporate profits before tax were up 29.2 per cent in 2000, reflecting the first year of production and the flow of natural gas and gas liquids to export markets. 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 primarily on federally forecasted corporate taxable income and is affected by other variables, such as business take-up of provincial tax credit programs.

SOEP is a main driver in GDP growth in this economic outlook. The impact of SOEP production on GDP occurs primarily through exports and corporate profits before tax. Given the introduction of this new industry into the provincial economy, there is a potential upside risk on the economic assumptions related to exports and to corporate profits. Once the actuals are realized from the offshore, however, there is not expected to be a material impact on overall corporate income taxes for the province. As noted above, corporate income tax is not exclusively determined by corporate profits.

After several years of major capital investments related to the offshore developments and modernization and expansion in the manufacturing sector, business investment dropped by 14.2 per cent in 2000. The decline in business investment spending was partly offset by sustained growth in consumer spending. Personal expenditures on goods and services increased 4.7 per cent, the same rate as in 1999. Retail sales registered an increase of 4.3 per cent in 2000. The tempo of consumer spending was sustained by the strong growth in personal income. Labour income, the largest share of personal income, increased 6.0 per cent by virtue of strong employment growth, wage settlement increases, and federal government pay equity settlements—estimated at \$90 million for Nova Scotia. Personal income grew 4.7 per cent.

The economic outlook for Nova Scotia depends on conditions prevailing in the economies of its principal trading partners, the United States and other Canadian provinces. Nova Scotia is an open economy with close to 50 per cent of GDP directly attributed to the export of goods and services. Consequently, an economic slowdown in the United States and Canada moderates Nova Scotia's GDP growth over the short term. Growth in non-energy exports is expected to ease in 2001. By comparison, natural gas and natural gas liquids output from SOEP is sustained at capacity production, and this contributes to further growth in exports and corporate profits. Exports of goods and services are expected to increase by 7.8 per cent in 2001, along with a 6.6 per cent growth in corporate profits.

Capital investment spending, overall, is expected to remain weak in 2001, despite acceleration in oil and gas exploration activity and construction of the natural gas distribution system. Government spending on goods and services is anticipated to remain firm.

Employment growth moderates in 2001, moving to the long-term growth trend of 0.8 per cent. With labour supply anticipated to grow at a faster pace than employment growth, the unemployment rate increases to 9.5 per cent. Slower employment growth leads to lower personal income growth, although wage settlements help support an increase in personal income of 3.2 per cent. Growth in personal expenditure on goods and services also moves lower, to an expected increase of 3.8 per cent, as consumer spending is encouraged by lower interest rates and federal income tax cuts. Weakness in sales of new motor vehicles, however, restrains growth in retail sales to 3.5 per cent.

This overall pace of economic growth in Nova Scotia slows in 2001 and strengthens in 2002 as economic conditions improve in North America. Real GDP is forecast to grow 2.3 per cent in 2001 followed by 3.0 per cent in 2002, within the range of private-sector forecasts.

Private-Sector Forecasts for Nova Scotia Real GDP Growth

	2000	2001	2002
High (% increase)	4.5	4.0	4.5
Average (% increase)	3.2	2.6	3.0
Low (% increase)	2.4	2.2	2.5

The private-sector forecasters surveyed, and updated as of February 27, 2001, are Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto-Dominion Bank, Atlantic Provinces Economic Council, and Conference Board of Canada.

The Nova Scotia economy is exposed to the same external risks as the Canadian economy. As indicated above, the key external risk is how well or poorly the US economy performs. Weak equity markets in both Canada and United States could erode consumer confidence and offset the positive impacts on consumer spending from lower federal income taxes and interest rates.

Nova Scotia's preferential treatment under Canada–United States trade arrangements with respect to softwood lumber would terminate with the expiry of the softwood lumber agreement on March 31, 2001. Lumber shipments from Nova Scotia could face countervailing duties in US markets, which will only further dampen already depressed markets.

Risks are mixed, arising from recent announcements from the Department of National Defence. In a positive announcement, a new provision has been made to increase military pay and to acquire new equipment. By contrast, plans to reorganize and rationalize military air support services over the next two years could have a negative impact on the provincial economy if this is accompanied by downsizing.

Accelerated offshore energy development, especially as it relates to Tier II of the Sable Offshore Energy Project, would be a positive risk. The recent announcement by PanCanadian to proceed with the development of Deep Panuke will have an impact on the economy, but this will occur beyond the short-term period encompassed by these economic forecast assumptions.

The key provincial economic forecast assumptions incorporated into the budget are displayed in the schedule below. The assumptions are based on data and information available as of February 27, 2001.

Provincial Forecast Assumptions	2000	2001	2002
Real Gross Domestic Product (billion 1992\$)	21.5	22.0	22.6
Real Gross Domestic Product, 1992\$ (% increase)	3.0	2.3	3.0
Employment (% increase)	2.7 *	0.8	1.6
Unemployment Rate (%)	9.1 *	9.5	9.0
Personal Income (% increase)	4.7	3.2	4.0
Consumer Price Index (% increase)	3.5 *	2.7	2.4
Retail Sales (% increase)	4.3 *	3.5	4.0
Corporate Profits before Tax (% increase)	29.2	6.6	6.5
Exports of Goods and Services (% increase)	19.8	7.8	5.2

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

Revenue Outlook

In 2001–02 total ordinary revenues are estimated to be \$5.134.2 billion, an increase of 1.7 per cent over the 2000–01 forecast. Own-source revenues are expected to increase by \$115.1 million over the 2000–01 forecast to \$3.178 billion in 2001–02. Federal transfers will increase by \$32.7 million from 2000–01 forecast levels.

Key Assumptions—March 27, 2001

<i>Revenue Sources</i>	<i>Actual</i>	<i>Forecast</i>	<i>Estimate</i>	<i>Change \$</i>
				2001–02/ 2000–01
(\$ Thousands)	1999–2000	2000–01	2001–02	
<i>Provincial Sources</i>				
Personal Income Taxes	1,144,871	1,228,672	1,250,795	22,123
Corporate Income Taxes	149,379	169,232	200,864	31,632
Sales Tax (HST)	754,827	804,280	845,724	41,444
Tobacco Tax	76,544	77,500	83,200	5,700
Gasoline and Diesel Tax	219,389	209,100	215,500	6,400
Liquor Commission Profits	135,170	137,000	139,800	2,800
Gaming Corporation Profits	164,925	167,250	170,800	3,550
Interest Revenues	34,428	34,777	34,587	(190)
Registry of Motor Vehicles	61,324	64,482	62,749	(1,733)
Other Provincial Sources	169,383	170,116	174,181	4,065
Total Provincial	2,910,240	3,062,409	3,178,200	115,791
<i>Federal Sources</i>				
Equalization Payments	1,279,610	1,395,500	1,394,000	(1,500)
CHST	420,788	450,579	560,241	109,662
CHST Supplement	107,132	75,475	—	(75,475)
Harmonization Compensation	52,700	—	—	—
Other Federal Sources	4,416	2,330	2,330	0
Total Federal Sources	1,864,646	1,923,884	1,956,571	32,687
Prior Years' Adjustments	9,400	58,191	—	(58,191)
Total Ordinary Revenue	<u>4,784,286</u>	<u>5,044,484</u>	<u>5,134,771</u>	<u>90,287</u>

Income Taxes

Personal Income Tax (PIT)

The 2001–02 estimate for personal income tax on a fiscal-year basis rises 1.8 per cent over the 2000–01 fiscal year forecast. On a tax-year basis, however, personal income taxes are expected to increase by 2.6 per cent in 2001 over 2000 (more in line with the 2.6 per cent growth in Nova Scotia's share of Basic Federal Tax). 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 2001 is being partially offset by measures taken in the 2000 federal budget, which cannot be isolated under the implementation of tax on income in 2000.

In the 2000 tax year, Nova Scotia moved to a tax-on-income system of assessing personal income tax. This system shifted the tax calculation from a percentage of basic federal tax (tax on tax) to a percentage of taxable income (tax on income). The rates and brackets are equivalent to the tax-on-tax rates and federal brackets in effect for the 1999 tax year. Nova Scotia uses federally determined taxable income as its base and has adopted the non-refundable tax credits in effect for federal purposes for the 2000 tax year. Measures taken in the February 2000 federal budget and the October 2000 economic statement that change the treatment of selected income items above the taxable income line reduce Nova Scotia PIT revenues. For purposes of the 2001–02 estimate, the province has continued to use basic federal tax to estimate personal tax revenues, adjusted for differences between federal and provincial brackets and rates.

Corporate Income Tax (CIT)

Corporate income tax, on a fiscal-year basis, is expected to grow by 18.7 per cent or \$31.6 million over the 2000–01 forecast. Provincial-level corporate profits are expected to grow by 6.6 per cent; however, estimated corporate taxable income is expected to grow by only 1.9 per cent. Much of the revenue pickup is from a significant decrease in expected credit takeup in 2001, with credits falling \$29.8 million or 35.3 per cent from 2000. The decrease in CIT credits is primarily due to an anticipated decrease in the Manufacturing and Processing Investment Tax Credit, reflecting the new lower rate, and the Film Tax Credit.

In preparing the 2001–02 estimate, data problems related to national corporate taxable income levels have resulted in methodological changes to the modeling. These issues are expected to be resolved in the coming months and may result in changes to the estimate, either positively or negatively.

Consumption Taxes

Harmonized Sales Tax (HST)

Gross HST is estimated to total \$908.1 million in 2001–02, a 4.9 per cent increase over 2000–01 forecast. Sales tax rebates for public-sector bodies, new housing, printed books, volunteer fire departments, persons with disabilities, and segregated funds are projected to total \$62.4 million, resulting in net HST of \$845.7 million in 2001–02, a 5.2 per cent increase over the previous fiscal year. The growth in HST revenues between 2000–01 and 2001–02 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 has been fully operational since December 2000. This means the province is now subject to prior years' adjustments (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, 1998, and 1999 tax years, where applicable. It has also allowed for the latest federal estimates of Nova Scotia's tax revenues from the revenue allocation formula for tax years 1997, 1998, and 1999. The province has taken into account the impact of year-to-date growth in the national GST/HST Declared Revenue Pool for 2000, of which Nova Scotia is allocated a share under the formula. The incorporation of this information is necessary in order to bring the province's HST forecasts for the 1999 and prior tax years 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 indicators also have an impact on the province's HST estimates. These estimates should reduce, as much as possible, any prior years' adjustment. It is recognized that data improvements necessary to make the provincial shares that are produced by the allocation formula as accurate as possible will not be finalized until the project to improve provincial economic accounts undertaken by Statistics Canada is completed. Actual tax collections and rebate 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 \$83.2 million in 2001–02, a 7.4 per cent increase over the forecast for 2000–01. It is anticipated that the province will recommend further tobacco tax increases in 2001–02. 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 \$215.5 million in 2001–02, a 3.1 per cent increase over the forecast for 2000–01. This rate of growth is more consistent with historic growth in fuel consumption. There was above-average growth in 1999–2000, which was mainly due to increased construction activity. A subsequent drop in motive fuel tax revenues in 2000–01 suggests a return to more normal growth. Fuel price increases also have an impact on fuel tax revenues due to their impact on fuel consumption, and the province now takes this into account. While fuel prices will likely remain high relative to historic fuel prices, the expectation is that fuel prices will fall relative to 2000–01 levels. Given that fuel prices are influenced by volatile world oil prices, it is difficult to forecast fuel prices.

Profits of Crown Corporations

Nova Scotia Liquor Commission Profits

Liquor revenues are estimated to be \$139.8 million in 2001–02, a 2.0 per cent increase over the 2000–01 forecast. This increase is conservative compared to the 3.8 per cent growth forecast for the previous year as a result of modest volume growth due to existing market and economic conditions. Seasonality also plays a factor in a reduced growth estimate, as the summer sales from 2000 were not as significant as the summer 1999 sales.

Nova Scotia Gaming Corporation

The Nova Scotia Gaming Corporation's (NSGC) payments to the Province of Nova Scotia are expected to increase in 2001–02 to \$173 million. However, the Department of Finance records \$170.8 million, which is net of 50 per cent of Sydney Casino profits. The estimate is a 2.1 per cent increase over the projected results for 2000–01. NSGC's net income is expected to increase to \$153.2 million in 2001–02, which is an increase of 1.5 per cent.

There is no budgeted net income for the Halifax casino due to the repayment of the operator's capital investment for the new casino complex. Net operating income for the Sydney casino is budgeted at \$4.3 million.

The income guarantee clawback period ended July 31, 2000. The corporation has paid all amounts related to the clawback to Casino Nova Scotia, subject to final audit.

NSGC recognizes mandatory deferrals paid to the casino 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 current year. The impact of the Auditor General's interpretation would result in a reduction of approximately \$11.4 million in NSGC's net income in 2001–02.

It is estimated that NSGC will continue to benefit by approximately \$4.9 million in 2001–02 as a result of the revised profit allocation formula agreed to by the shareholders of Atlantic Lottery Corporation in 2000.

Federal Transfers

Equalization

Equalization revenues are estimated to decrease by \$1.5 million over forecast 2000–01 to \$1.394 billion. Equalization reflects revised tax base and revenue information as of February 27, 2001. The estimate uses Nova Scotia's economic assumptions and reflects an entitlement level moderately higher than the official federal estimate.

For 2001–02 and subsequent years, the province has elected to have offshore revenues included in the equalization formula rather than the Offshore Accord Offset mechanism.

The Canada Health and Social Transfer (CHST)

In 2001–02, the CHST cash entitlement for Nova Scotia is estimated to be \$560.2 million, \$109 million higher than the 2000–01 forecast. The total provincial entitlement comprises the provincial allocation of a fixed national entitlement. The 2001–02 national CHST amount that is available in cash and tax points is \$34.2 billion. The cash estimate reflects internal assumptions on the levels of personal and corporate income tax. Starting in 2001–02, the cash portion of the CHST is based totally on an equal per-capita formula.

At the First Ministers' Meeting (FMM) on September 11, 2000, the federal government announced a per-capita increase to the cash floor for CHST. For Nova Scotia, the total of the FMM cash is \$75.6 in 2001–02. As part of the CHST, the FMM included \$2.2 billion over five years for early childhood development. Nova Scotia's share of the ECD funding for 2001–02 is \$9.1 million. This total is included in the CHST total of \$560 million.

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 was \$75.4 million.

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 from 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.

Investing in Our Future: Children

Revenue Source

Key Variables

Personal Income Taxes

- personal income levels by type
- national levels of basic federal tax and taxable income
- Nova Scotia share of national levels of basic federal tax and taxable income

Corporate Income Taxes

- corporate taxable income levels (national)
- Nova Scotia share of national levels
- tax credit usage
- corporate profit levels

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

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2001–02 revenue estimates, the following information should also be taken into account when interpreting the revenue estimates.

The revenue estimates for 2001–02 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. As a result, revenue for certain government service organizations that are consolidated for financial statement purposes are not included in the province's estimates, including revenue estimates.

The Department of Finance and other departments or agencies of the province have prepared their specific revenue estimates for 2001–02 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 February 27, 2001. 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 2000–01.

Recoveries of expenditures under various federal-provincial agreements or from other departments or entities, user fees, and income on sinking fund investments have been estimated and are netted against departmental expenditures for purposes of approval of appropriations for 2001–02.

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.

Financial and Supplementary Information
to the Budget Address 2001–02

BUDGETARY SUMMARY
(\$ thousands)

Schedule 1

<i>ESTIMATE</i> 1999-2000	<i>ACTUAL</i> 1999-2000	<i>ESTIMATE</i> 2000-2001	<i>FORECAST</i> 2000-2001		<i>ESTIMATE</i> 2001-2002
				Consolidated Fund	
<u>4,622,985</u>	<u>4,784,287</u>	<u>4,794,941</u>	<u>5,044,484</u>	Ordinary Revenue	<u>5,134,771</u>
				Net Expenses	
4,231,177	4,294,096	4,146,012	4,235,501	Net Program Expenses	4,324,619
799,552	827,123	899,122	970,680	Net Debt Servicing Costs	908,857
<u>5,030,729</u>	<u>5,121,219</u>	<u>5,045,134</u>	<u>5,206,181</u>		<u>5,233,476</u>
<u>(407,744)</u>	<u>(336,932)</u>	<u>(250,193)</u>	<u>(161,697)</u>		<u>(98,705)</u>
				Consolidation and Accounting Adjustments for Government Service Organizations	
---	1,596,471	---	---	Consolidated Fund Consolidation Adjustments	---
---	(1,053,060)	---	---	Health and Hospital Boards Operations	---
---	(698,517)	---	---	School Boards Operations	---
---	(40,382)	---	---	Other Organizations	---
<u>---</u>	<u>(195,488)</u>	<u>---</u>	<u>---</u>		<u>---</u>
				Net Income (Losses) for Government Business Enterprises	
(65,100)	(26,164)	(25,900)	(41,800)	Nova Scotia Resources Limited	---
(31,800)	(34,489)	---	---	Sydney Steel Corporation	---
8,000	295,136	8,000	4,600	Other Enterprises	8,000
<u>(88,900)</u>	<u>234,483</u>	<u>(17,900)</u>	<u>(37,200)</u>		<u>8,000</u>
<u>(496,644)</u>	<u>(297,937)</u>	<u>(268,093)</u>	<u>(198,897)</u>	Provincial Surplus (Deficit) before Unusual Items	<u>(90,705)</u>
				Unusual Items	
---	(68,500)	---	---	Environmental Clean-Up	---
---	(406,800)	---	---	Sydney Steel Corporation	---
<u>---</u>	<u>(475,300)</u>	<u>---</u>	<u>---</u>		<u>---</u>
<u>(496,644)</u>	<u>(773,237)</u>	<u>(268,093)</u>	<u>(198,897)</u>	Provincial Surplus (Deficit)	<u>(90,705)</u>

ORDINARY REVENUE - SUMMARY

Schedule 2

By Revenue Source

(\$ thousands)

ESTIMATE 1999-2000	ACTUAL 1999-2000	ESTIMATE 2000-2001	FORECAST 2000-2001		ESTIMATE 2001-2002
				Provincial Sources	
1,044,742	1,144,871	1,144,925	1,228,672	Personal Income Tax	1,250,795
127,102	149,379	161,653	169,232	Corporate Income Tax	200,864
759,450	754,827	786,309	804,280	Harmonized Sales Tax	845,724
219,945	219,389	232,335	209,100	Motive Fuel Taxes	215,500
161,622	164,926	175,119	167,250	Gaming Corporation Profits	170,800
133,500	135,170	141,000	137,000	Liquor Commission Profits	139,800
35,325	34,428	35,507	34,777	Interest Revenues	34,587
2,500	1,970	6,000	9,000	Royalties - Petroleum	14,000
302,576	305,281	301,705	303,098	Other Provincial Sources	306,130
2,786,762	2,910,241	2,984,553	3,062,409		3,178,200
				Federal Sources	
1,257,629	1,279,610	1,279,630	1,395,500	Equalization	1,394,000
521,487	527,920	522,928	526,054	Canada Health and Social Transfer	560,241
				Federal Compensation for	
52,700	52,700	---	---	Harmonization	---
4,407	4,416	7,830	2,330	Other Federal Sources	2,330
1,836,223	1,864,646	1,810,388	1,923,884		1,956,571
				Prior Years' Adjustments -	
---	9,400	---	58,191	Federal-Provincial	---
				Fiscal Arrangements	
4,622,985	4,784,287	4,794,941	5,044,484		5,134,771

**NET PROGRAM EXPENSES -
SUMMARY**
(\$ thousands)

Schedule 3

<i>ESTIMATE</i> 1999-2000	<i>ACTUAL</i> 1999-2000	<i>ESTIMATE</i> 2000-2001	<i>FORECAST</i> 2000-2001		<i>ESTIMATE</i> 2001-2002
---	---	---	---	Agriculture and Fisheries	40,885
42,238	42,223	33,537	34,656	Agriculture and Marketing	---
33,135	32,037	31,201	31,689	Business and Consumer Services	---
580,173	583,228	575,989	583,748	Community Services	626,508
60,268	89,263	49,033	63,731	Economic Development	34,708
873,746	969,747	858,832	869,931	Education	888,437
197,232	197,232	201,232	203,732	Assistance to Universities	201,232
15,678	15,437	13,132	12,401	Environment	---
---	---	---	---	Environment and Labour	27,072
9,941	8,938	9,298	9,001	Finance	12,867
9,396	8,899	5,716	5,716	Fisheries and Aquaculture	---
1,770,630	1,767,440	1,686,140	1,750,641	Health	1,819,031
101,938	101,923	88,663	88,461	Housing and Municipal Affairs	---
4,334	3,934	3,986	3,979	Human Resources	---
82,582	85,250	82,293	82,293	Justice	88,883
11,040	8,993	8,689	8,137	Labour	---
56,707	55,414	52,090	51,329	Natural Resources	53,945
86,015	101,888	76,244	77,667	Public Service	104,236
---	---	---	---	Service Nova Scotia and Municipal Relations	100,237
40,456	40,423	38,388	38,388	Tourism and Culture	39,457
239,568	236,303	243,514	245,401	Transportation and Public Works	233,469
16,100	(54,476)	88,035	74,600	Restructuring Costs	53,652
4,231,177	4,294,096	4,146,012	4,235,501		4,324,619

Note: The 2001-2002 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 2001-2002. The cost of the purchases planned in 2001-2002 are noted as "Capital Purchases" in Schedule 7. The 1999-2000 Estimate and Actual and the 2000-2001 Estimate and Forecast have not been restated.

**NET DEBT SERVICING COSTS -
SUMMARY**
(\$ thousands)

Schedule 4

<i>ESTIMATE</i> 1999-2000	<i>ACTUAL</i> 1999-2000	<i>ESTIMATE</i> 2000-2001	<i>FORECAST</i> 2000-2001		<i>ESTIMATE</i> 2001-2002
949,252	975,781	1,049,485	1,097,255	Debt Servicing Costs	1,043,399
(149,700)	(148,658)	(150,363)	(126,575)	Less: Sinking Fund Earnings	(134,542)
<u>799,552</u>	<u>827,123</u>	<u>899,122</u>	<u>970,680</u>		<u>908,857</u>

Note: For further details on the underlying assumptions that support the Debt Servicing Costs projections, see Schedule 15; Page A46.

STATUTORY CAPITAL ITEMS - SUMMARY
(\$ thousands)

Schedule 5

ACTUAL 1999-2000	ESTIMATE 2000-2001	FORECAST 2000-2001		ESTIMATE 2001-2002
CAPITAL ADVANCES AND INVESTMENTS				
The following is given for information as to the proposed program.				
Additional Advances and Investments (A)				
14,107	14,000	19,000	Fisheries Development Fund	20,000
---	20,000	---	Housing Development Fund	---
11,080	17,500	9,800	Industrial Development Act	10,000
30,821	36,000	26,000	Nova Scotia Business Development Corporation	46,000
18,089	28,000	27,000	Nova Scotia Farm Loan Board	28,000
74,097	115,500	81,800		104,000
Repayments (A)				
8,878	9,300	8,800	Fisheries Development Fund	9,300
99,775	19,189	---	Housing Development Fund	---
680	2,000	9,700	Industrial Development Act	4,000
13	---	---	Municipal Hospitals Loan Act	---
336	235	235	Municipal Loan and Building Fund Act	210
18,135	16,000	16,750	Nova Scotia Business Development Corporation	16,000
14,658	17,000	14,500	Nova Scotia Farm Loan Board	15,500
61	---	---	Venture Corporations Act	---
1,158	93	93	Miscellaneous	73
143,694	63,817	50,078		45,083
(69,597)	51,683	31,722	Net Capital Advances and Investments	58,917
CAPITAL ADVANCES UNDER THE APPROPRIATIONS ACT				
---	45	---	Agriculture and Marketing	---

(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.

Financial Statistics

to the Budget Address 2001–02

HISTORICAL ANALYSIS OF ORDINARY REVENUES BY SOURCE

Schedule 6

	1997-1998	1998-1999	1999-2000	FORECAST 2000-2001	ESTIMATE 2001-2002
REVENUE BY SOURCE					
<i>(\$ thousands)</i>					
Provincial Sources					
Personal Income Tax	997,562	992,205	1,144,871	1,228,672	1,250,795
Corporate Income Tax	121,682	119,356	149,379	169,232	200,864
Sales Tax	694,942	723,391	754,827	804,280	845,724
Tobacco Tax	70,660	74,598	76,543	77,500	83,200
Motive Fuel Taxes	204,114	211,606	219,389	209,100	215,500
Gaming Corporation Profits	141,172	144,414	164,926	167,250	170,800
Liquor Commission Profits	118,477	129,200	135,170	137,000	139,800
Interest Revenues	34,844	32,784	34,428	34,777	34,587
Registry of Motor Vehicles	54,884	60,980	61,439	64,482	62,749
Royalties - Petroleum	1,391	1,834	1,970	9,000	14,000
Other Provincial Sources	154,192	184,383	167,299	161,116	160,181
Prior Years' Adjustments - Provincial Sources	5,891	31,307	56,428	76,003	---
Federal Sources					
Equalization	1,194,359	1,260,683	1,279,610	1,395,500	1,394,000
Canada Health and Social Transfer	438,669	426,874	527,920	526,054	560,241
Federal Compensation for Harmonization	118,600	77,700	52,700	---	---
Other Federal Sources	3,296	3,845	4,416	2,330	2,330
Prior Years' Adjustments - Federal Sources	70,071	75,462	(47,028)	(17,812)	---
Total Ordinary Revenues	4,424,806	4,550,622	4,784,287	5,044,484	5,134,771

REVENUE BY SOURCE

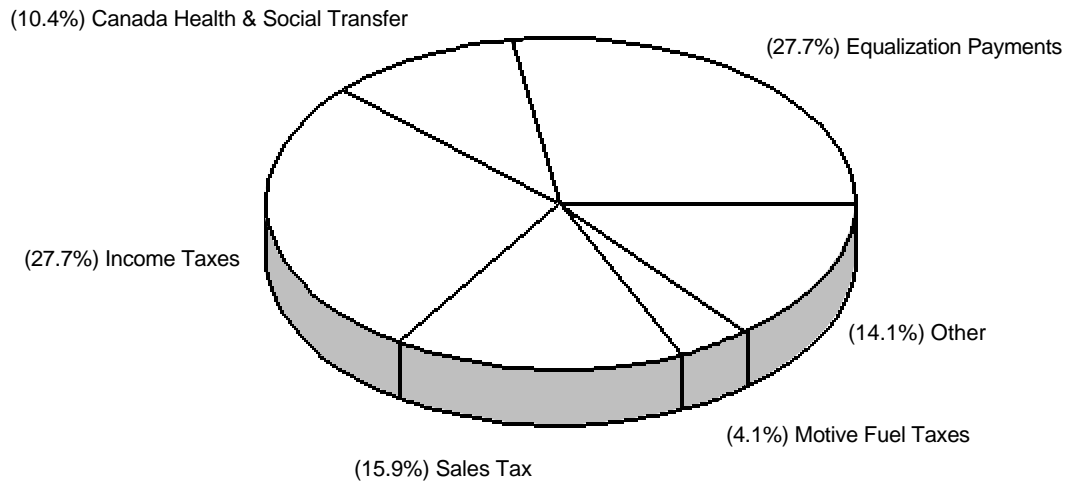
(as a percentage of Total Ordinary Revenues)

Provincial Sources					
Personal Income Tax	22.5%	21.8%	23.9%	24.4%	24.4%
Corporate Income Tax	2.7%	2.6%	3.1%	3.4%	3.9%
Sales Tax	15.7%	15.9%	15.8%	15.9%	16.5%
Tobacco Tax	1.6%	1.6%	1.6%	1.5%	1.6%
Motive Fuel Taxes	4.6%	4.7%	4.6%	4.1%	4.2%
Gaming Corporation Profits	3.2%	3.2%	3.4%	3.3%	3.3%
Liquor Commission Profits	2.7%	2.8%	2.8%	2.7%	2.7%
Interest Revenues	0.8%	0.7%	0.7%	0.7%	0.7%
Registry of Motor Vehicles	1.2%	1.3%	1.3%	1.3%	1.2%
Royalties - Petroleum	0.0%	0.0%	0.0%	0.2%	0.3%
Other Provincial Sources	3.5%	4.1%	3.5%	3.2%	3.1%
Prior Years' Adjustments - Provincial Sources	0.1%	0.7%	1.2%	1.5%	---
Total - Provincial Sources	58.8%	59.5%	62.0%	62.2%	61.9%
Federal Sources					
Equalization	27.0%	27.7%	26.7%	27.7%	27.1%
Canada Health and Social Transfer	9.9%	9.4%	11.0%	10.4%	10.9%
Federal Compensation for Harmonization	2.7%	1.7%	1.1%	---	---
Other Federal Sources	0.1%	0.1%	0.1%	0.0%	0.0%
Prior Years' Adjustments - Federal Sources	1.6%	1.7%	-1.0%	-0.4%	---
Total - Federal Sources	41.2%	40.5%	38.0%	37.8%	38.1%
Total Ordinary Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

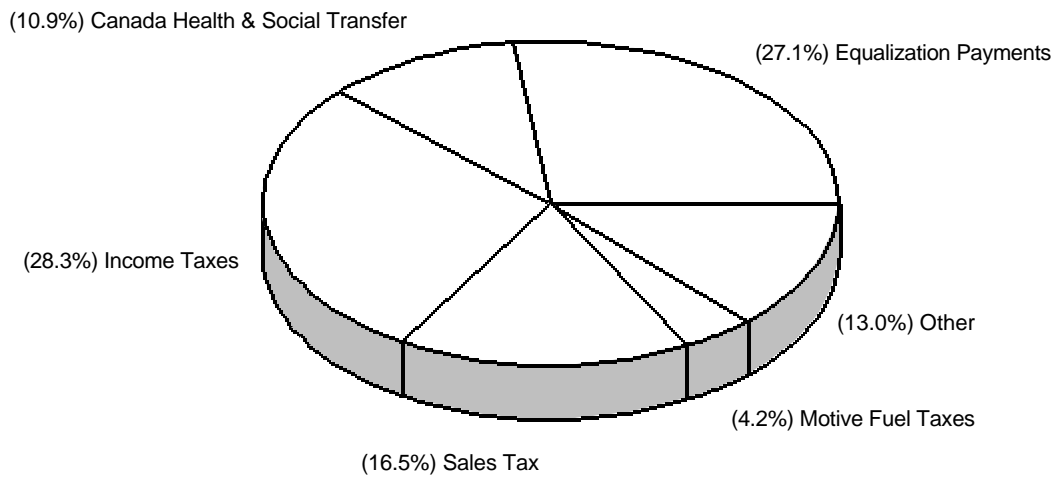
ORDINARY REVENUES BY SOURCE

Chart 1

2000-2001 FORECAST



2001-2002 ESTIMATE



**HISTORICAL ANALYSIS OF TOTAL
NET EXPENSES BY FUNCTION**

Schedule 7

	1997-1998	1998-1999	1999-2000	FORECAST 2000-2001	ESTIMATE 2001-2002
FUNCTION					
<i>(\$ thousands)</i>					
General Government	146,374	143,632	96,981	167,877	126,810
Public Protection	130,524	145,861	161,596	152,066	161,111
Transportation	216,395	189,928	181,575	194,227	191,443
Resource Development	158,847	160,033	195,894	171,474	161,593
Health	1,472,827	1,654,260	1,797,415	1,805,096	1,904,132
Social Services	570,858	561,599	571,727	560,150	589,947
Education	941,965	1,089,787	1,172,153	1,078,642	1,092,577
Culture and Recreation	38,753	39,025	43,842	41,296	41,783
Municipal Affairs	66,309	76,988	72,913	64,673	55,223
Total Net Program Expenses	3,742,852	4,061,113	4,294,096	4,235,501	4,324,619
Debt Servicing Costs	797,785	952,449	975,781	1,097,255	1,043,399
Total Net Expenses	4,540,637	5,013,562	5,269,877	5,332,756	5,368,018

FUNCTION

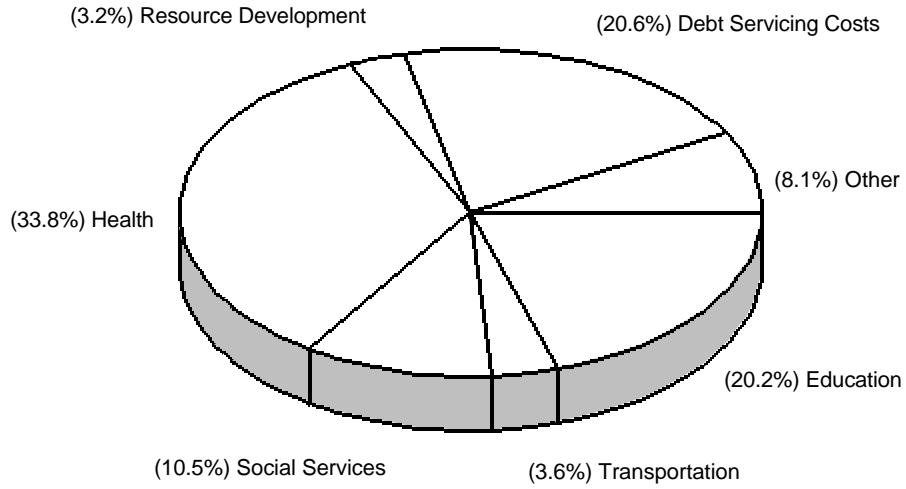
(as a percentage of Total Net Expenses)

General Government	3.1%	2.9%	1.8%	3.2%	2.4%
Public Protection	2.9%	2.9%	3.1%	2.9%	3.0%
Transportation	4.8%	3.8%	3.5%	3.6%	3.6%
Resource Development	3.5%	3.2%	3.7%	3.2%	3.0%
Health	32.4%	33.0%	34.1%	33.8%	35.5%
Social Services	12.6%	11.2%	10.9%	10.5%	11.0%
Education	20.7%	21.7%	22.2%	20.2%	20.3%
Culture and Recreation	0.9%	0.8%	0.8%	0.8%	0.8%
Municipal Affairs	1.5%	1.5%	1.4%	1.2%	1.0%
Total Net Program Expenses	82.4%	81.0%	81.5%	79.4%	80.6%
Debt Servicing Costs	17.6%	19.0%	18.5%	20.6%	19.4%
Total Net Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

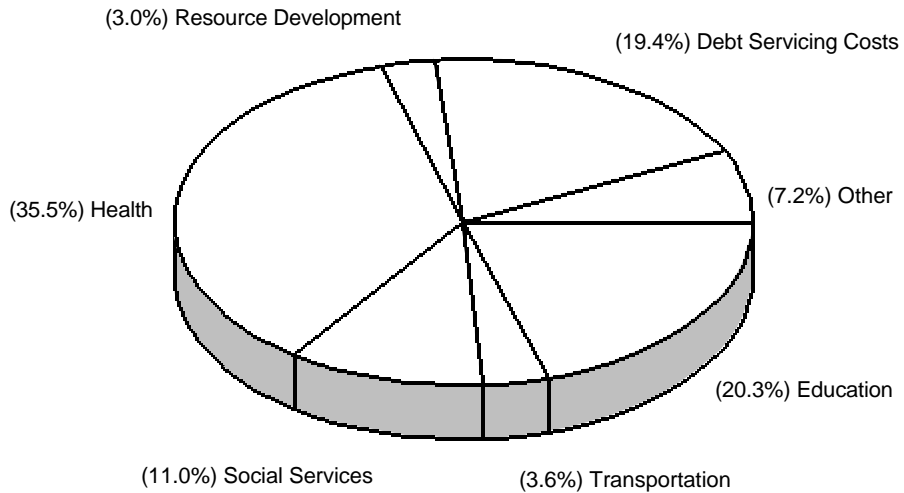
TOTAL NET EXPENSES BY FUNCTION

Chart 2

2000-2001 FORECAST



2001-2002 ESTIMATE



**SUMMARY OF REVENUES AND EXPENSES
BY SOURCE AND FUNCTION**

Schedule 8

(\$ thousands)

ESTIMATE 2000-2001	FORECAST 2000-2001	CHANGE OVER ESTIMATE 2000-2001		ESTIMATE 2001-2002
Consolidated Fund				
Net Revenues by Source				
Provincial Sources				
1,144,925	1,228,672	83,747	Personal Income Tax	1,250,795
161,653	169,232	7,579	Corporate Income Tax	200,864
786,309	804,280	17,971	Harmonized Sales Tax	845,724
80,100	77,500	(2,600)	Tobacco Tax	83,200
232,335	209,100	(23,235)	Motive Fuel Taxes	215,500
175,119	167,250	(7,869)	Gaming Corporation Profits	170,800
141,000	137,000	(4,000)	Liquor Commission Profits	139,800
35,507	34,777	(730)	Interest Revenues	34,587
61,440	64,482	3,042	Registry of Motor Vehicles	62,749
6,000	9,000	3,000	Royalties - Petroleum	14,000
160,165	161,116	951	Other Provincial Sources	160,181
Federal Sources				
1,279,630	1,395,500	115,870	Equalization	1,394,000
522,928	526,054	3,126	Canada Health and Social Transfer	560,241
7,830	2,330	(5,500)	Other Federal Sources	2,330
---	58,191	58,191	Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	---
4,794,941	5,044,484	249,543	Total - Net Revenues	5,134,771
Net Expenses by Function				
214,363	167,877	(46,486)	General Government	126,810
146,396	152,066	5,670	Public Protection	161,111
192,951	194,227	1,276	Transportation	191,443
148,585	171,474	22,889	Resource Development	161,593
1,723,397	1,805,096	81,699	Health	1,904,132
556,405	560,150	3,745	Social Services	589,947
1,058,111	1,078,642	20,531	Education	1,092,577
40,559	41,296	737	Culture and Recreation	41,783
65,245	64,673	(572)	Municipal Affairs	55,223
4,146,012	4,235,501	89,489	Total - Net Program Expenses	4,324,619
899,122	970,680	71,558	Net Debt Servicing Costs	908,857
5,045,134	5,206,181	161,047	Total - Net Expenses	5,233,476
(250,193)	(161,697)	88,496		(98,705)
(17,900)	(37,200)	(19,300)	Consolidation and Accounting Adjustments for Government Service Organizations and Net Income (Losses) Business Enterprises	8,000
(268,093)	(198,897)	69,196	Provincial Surplus (Deficit)	(90,705)

Economic Indicators

to the Budget Address 2001–02

**GROSS DOMESTIC PRODUCT
at MARKET PRICES**
(Constant 1992 \$ millions)

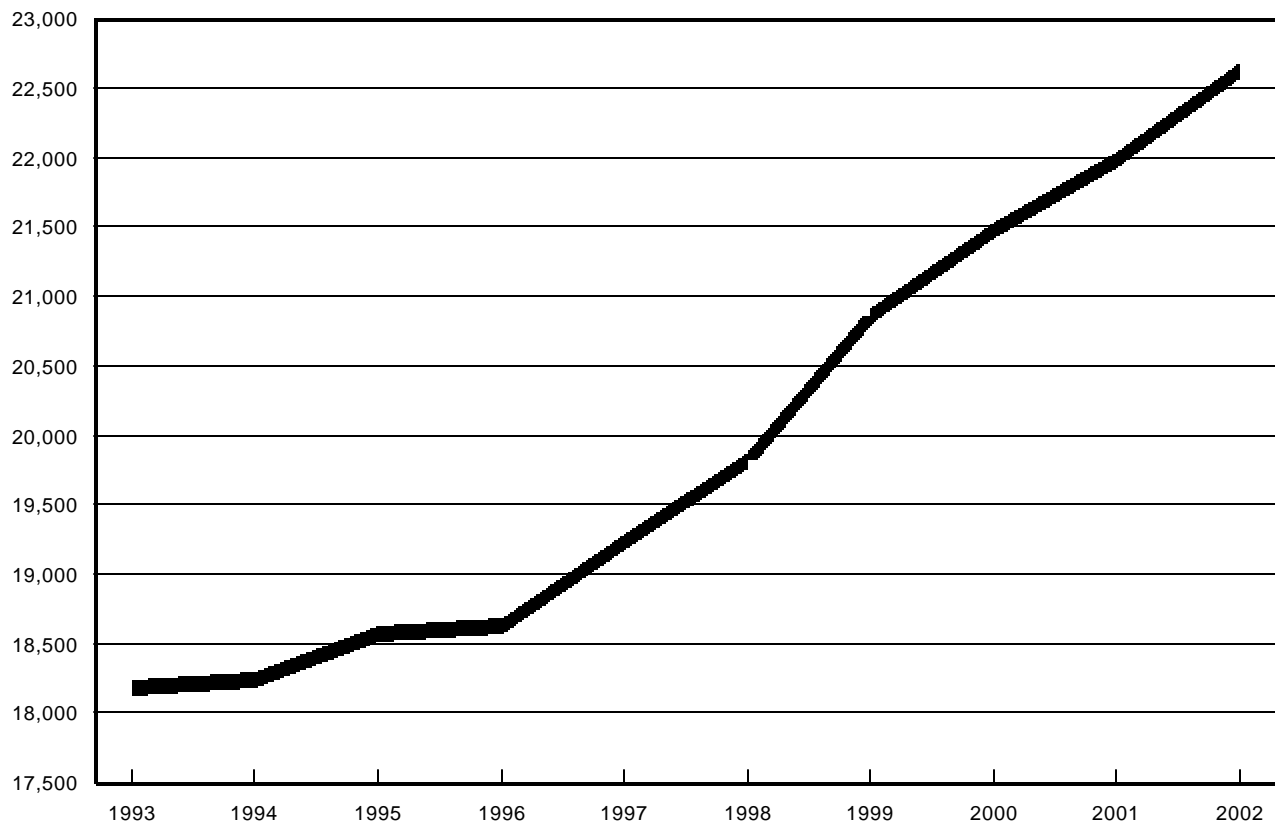
Schedule 9

YEAR	NOVA SCOTIA (1)	GROWTH RATE %	CANADA (2)	GROWTH RATE %
1993	18,193		714,583	
1994	18,256	0.3	748,350	4.7
1995	18,578	1.8	769,082	2.8
1996	18,641	0.3	780,916	1.5
1997	19,242	3.2	815,013	4.4
1998	19,828	3.0	842,002	3.3
1999	20,865	5.2	880,254	4.5
2000	21,497 *	3.0	924,274 p	5.0
2001	21,989 p	2.3	949,473 p	2.7
2002	22,638 p	3.0	980,504 p	3.3

- 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
(dollars)

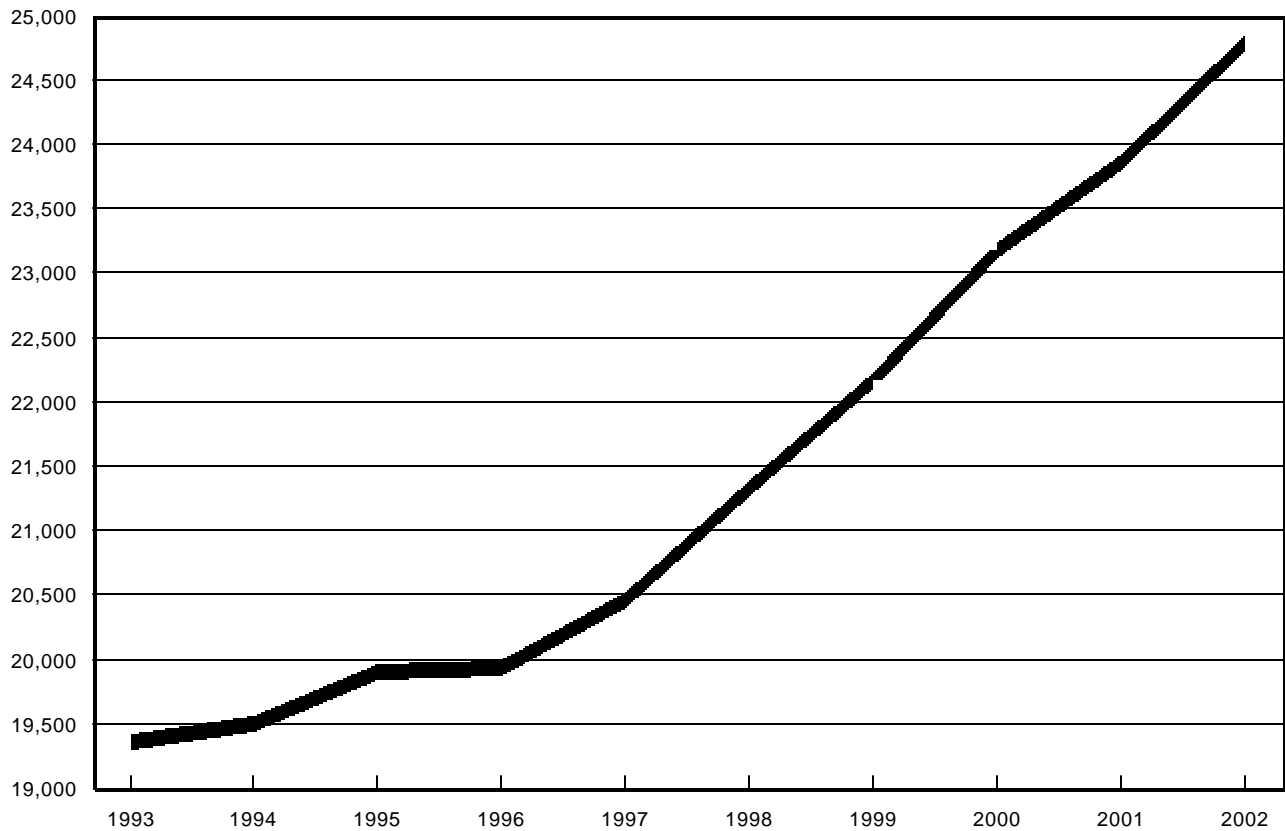
Schedule 10

YEAR	NOVA SCOTIA (1)	% CHANGE	CANADA (1)	% CHANGE
1993	19,377		22,080	
1994	19,515	0.7	22,272	0.9
1995	19,920	2.1	22,907	2.9
1996	19,950	0.2	23,177	1.2
1997	20,470	2.6	23,832	2.8
1998	21,347	4.3	24,660	3.5
1999	22,191	4.0	25,452	3.2
2000	23,190 *	4.5	26,729 **	5.0
2001	23,879 p	3.0	27,621 p	3.3
2002	24,807 p	3.9	28,513 p	3.2

- 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; Source: 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
(thousands of persons)

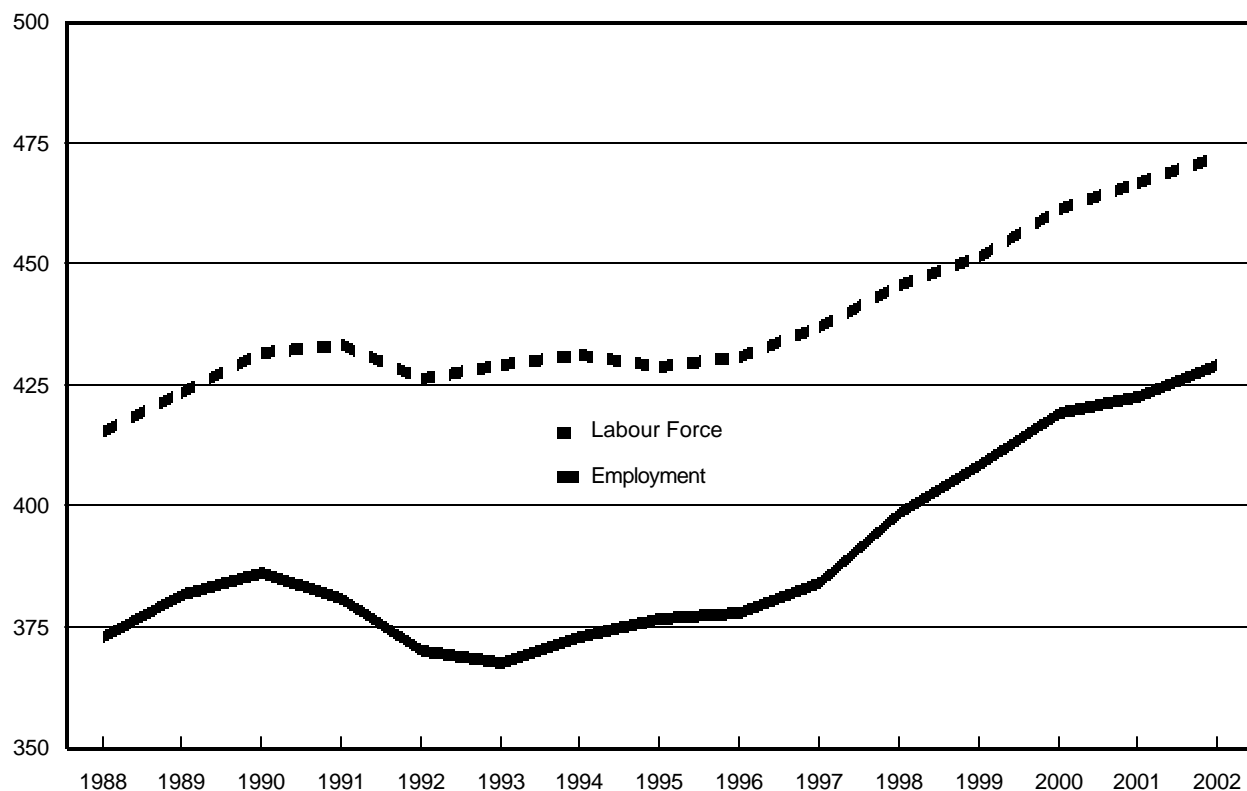
Schedule 11

YEAR	LABOUR FORCE (1)	% CHANGE	EMPLOYMENT (1)	% CHANGE
1988	416		373	
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	462	2.1	420	2.7
2001	467 p	1.2	423 p	0.8
2002	472 p	1.1	430 p	1.6

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
(thousands of persons)

Schedule 12

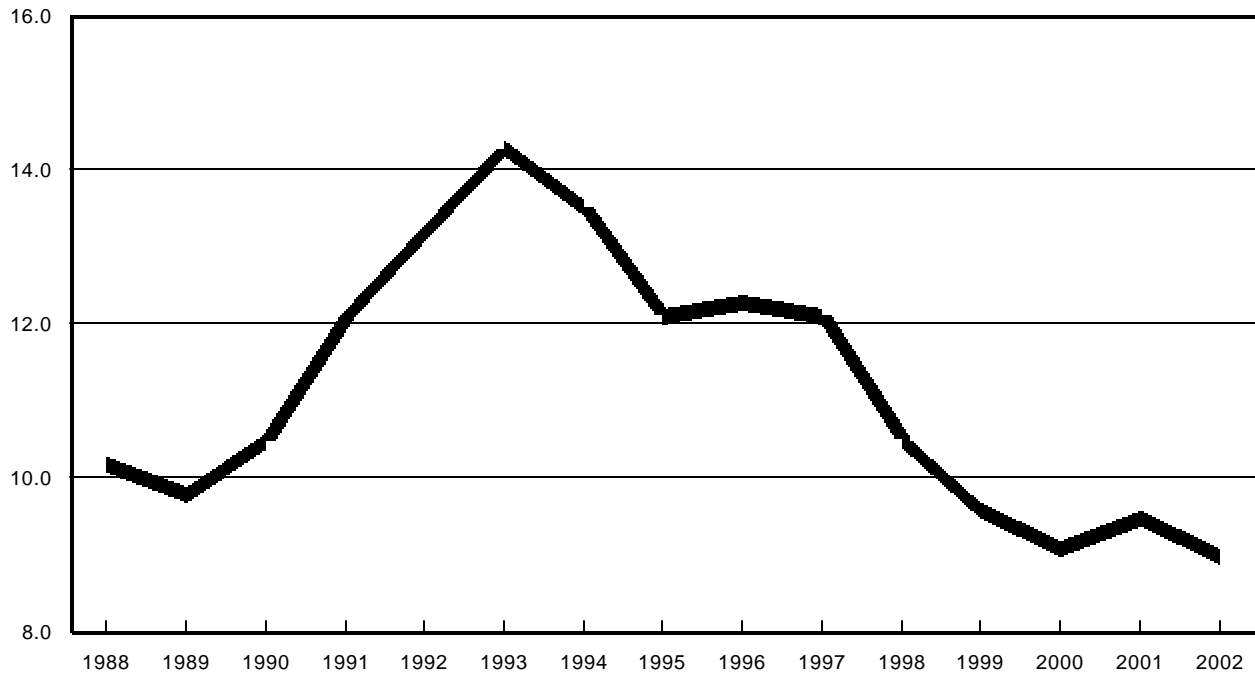
YEAR	NOVA SCOTIA (1)		CANADA (1)	
	UNEMPLOYED	UNEMPLOYMENT RATE %	UNEMPLOYED	UNEMPLOYMENT RATE %
1988	42	10.2	1,068	7.8
1989	41	9.8	1,060	7.5
1990	46	10.5	1,157	8.1
1991	53	12.1	1,480	10.3
1992	56	13.2	1,602	11.2
1993	62	14.3	1,647	11.4
1994	58	13.5	1,515	10.4
1995	52	12.1	1,393	9.4
1996	53	12.3	1,437	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	42	9.1	1,090	6.8
2001	44 p	9.5 p	1,093 p	6.7 p
2002	43 p	9.0 p	1,066 p	6.4 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 2001–02 to 2004–2005

to the Budget Address 2001–02

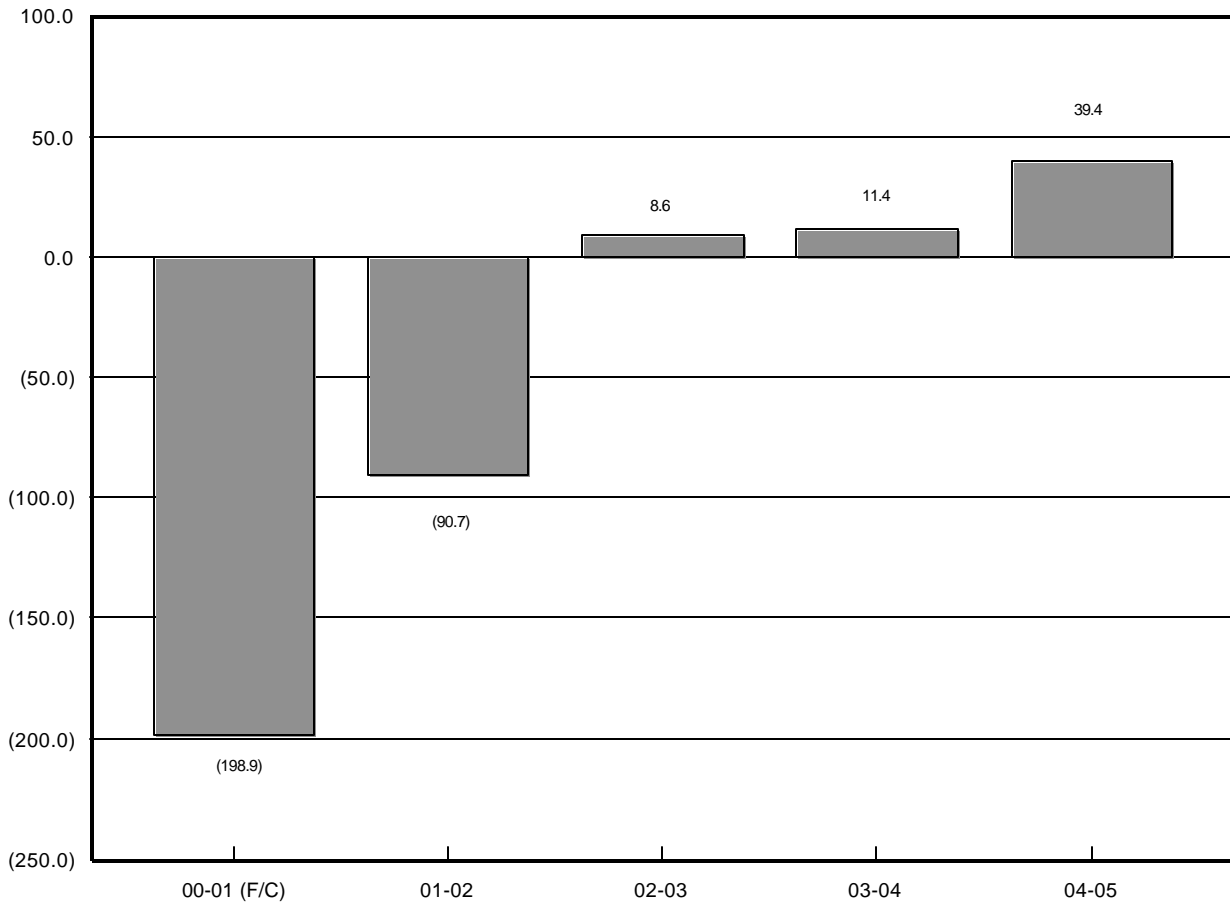
FISCAL PLAN 2001-2002 to 2004-2005
(\$ millions)

Schedule 13

	<i>ESTIMATE</i> 2000-2001	<i>FORECAST</i> 2000-2001	<i>ESTIMATE</i> 2001-2002	<i>ESTIMATE</i> 2002-2003	<i>ESTIMATE</i> 2003-2004	<i>ESTIMATE</i> 2004-2005
Revenue	4,794.9	5,044.5	5,134.8	5,248.8	5,314.7	5,485.2
Net Program Expenses	4,058.0	4,160.9	4,271.0	4,298.3	4,313.1	4,380.1
Restructuring Costs	88.0	74.6	53.7	53.7	73.1	117.2
Net Program Expenses	4,146.0	4,235.5	4,324.6	4,352.1	4,386.1	4,497.4
Debt Servicing Costs	1,049.5	1,097.3	1,043.4	1,035.9	1,063.7	1,098.0
Less: Sinking Fund Earnings	(150.4)	(126.6)	(134.5)	(139.8)	(138.4)	(141.6)
Net Debt Servicing Costs	899.1	970.7	908.9	896.1	925.2	956.4
Net Expenses	5,045.2	5,206.2	5,233.5	5,248.2	5,311.3	5,453.8
Net Income (Losses)	(17.9)	(37.2)	8.0	8.0	8.0	8.0
Government Business Enterprises						
Provincial Surplus (Deficit)	(268.1)	(198.9)	(90.7)	8.6	11.4	39.4

PROVINCIAL SURPLUS (DEFICIT)
Fiscal 2000-2001 to 2004-2005
(\$ millions)

Chart 3



With this budget, the Nova Scotia government is well on the road to fiscal stability. The plan will see the deficit gradually eliminated, a small surplus in fiscal 2002-2003, a surplus and tax cut in fiscal 2003-2004 and surpluses in subsequent fiscal years.

The government transformation reflected in this budget 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 and reflects the priorities of Nova Scotians.

That result will be achieved by careful adherence to the government's four year fiscal plan. Under this plan, revenues will increase and the cost of running government will be kept as flat as possible, eliminating 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.

Debt Management

to the Budget Address 2001–02

Overview of Debt Management in Fiscal 2000-2001

The Debt Management 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 Deputy Minister of Finance is the chair of the DMC. 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, and the Internal Audit Sub-Committee.

In fiscal 2000-2001, the Province borrowed approximately \$1.33 billion, down from the previous year's level of \$1.5 billion. The Province took advantage of favorable market conditions domestically to complete the year's borrowing needs and refinancing of existing debt.

Structure of the Debt Portfolio

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

1) Primary Issuance Market

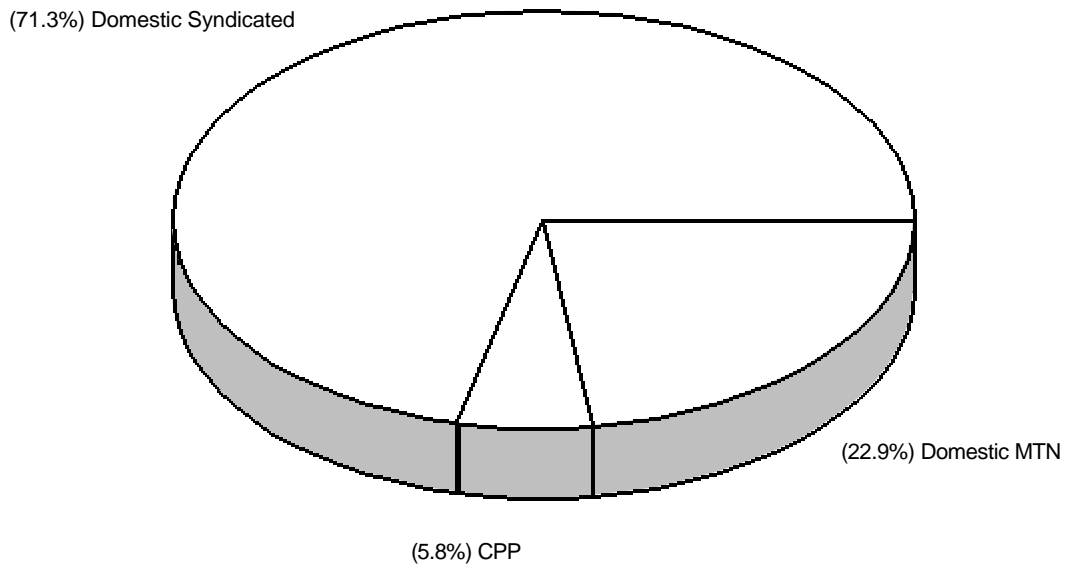
The Province borrowed all of its requirements for fiscal 2000-2001 in Canadian financial markets by way of three public issues, five Medium Term Notes (MTNs) and the refinancing of a Canada Pension Plan maturity. The overall size of the borrowing program decreased to \$1.33 billion from its original forecast of \$1.4 billion as the latter included pre-borrowing from the previous year. Chart 4, titled "Consolidated Fund Debt Portfolio - Issuance Profile", outlines the composition of debt issued in the 2000-2001 fiscal year.

The Province has a diversity of borrowing sources as this is an important factor in lower financing costs and maintaining a broad demand for Nova Scotia debt issues. The Province maintains documentation necessary in order to issue securities in both the United States and the Japanese markets. In early 2000, the Province established an Euro Medium Term Note program (EMTN) to provide more timely and efficient access to European institutional and retail markets. The Province executed its first transaction under the EMTN program in 2000-2001. The Province's Canadian dollar short term, promissory note program continues to be an important source of funding. In the 2000-2001 fiscal year the Province funded requirements of \$766.2 million by issuing short-term promissory notes.

Some Crown agencies of the Province of Nova Scotia have lent monies to the consolidated fund on a short-term basis. At March 26, 2001, a total of \$69.8 million was invested by the Nova Scotia Government Fund, the Workers Compensation Board of Nova Scotia, the Nova Scotia Gaming Corporation, the Nova Scotia Municipal Finance Corporation, and the Nova Scotia Crop and Livestock Insurance Commission.

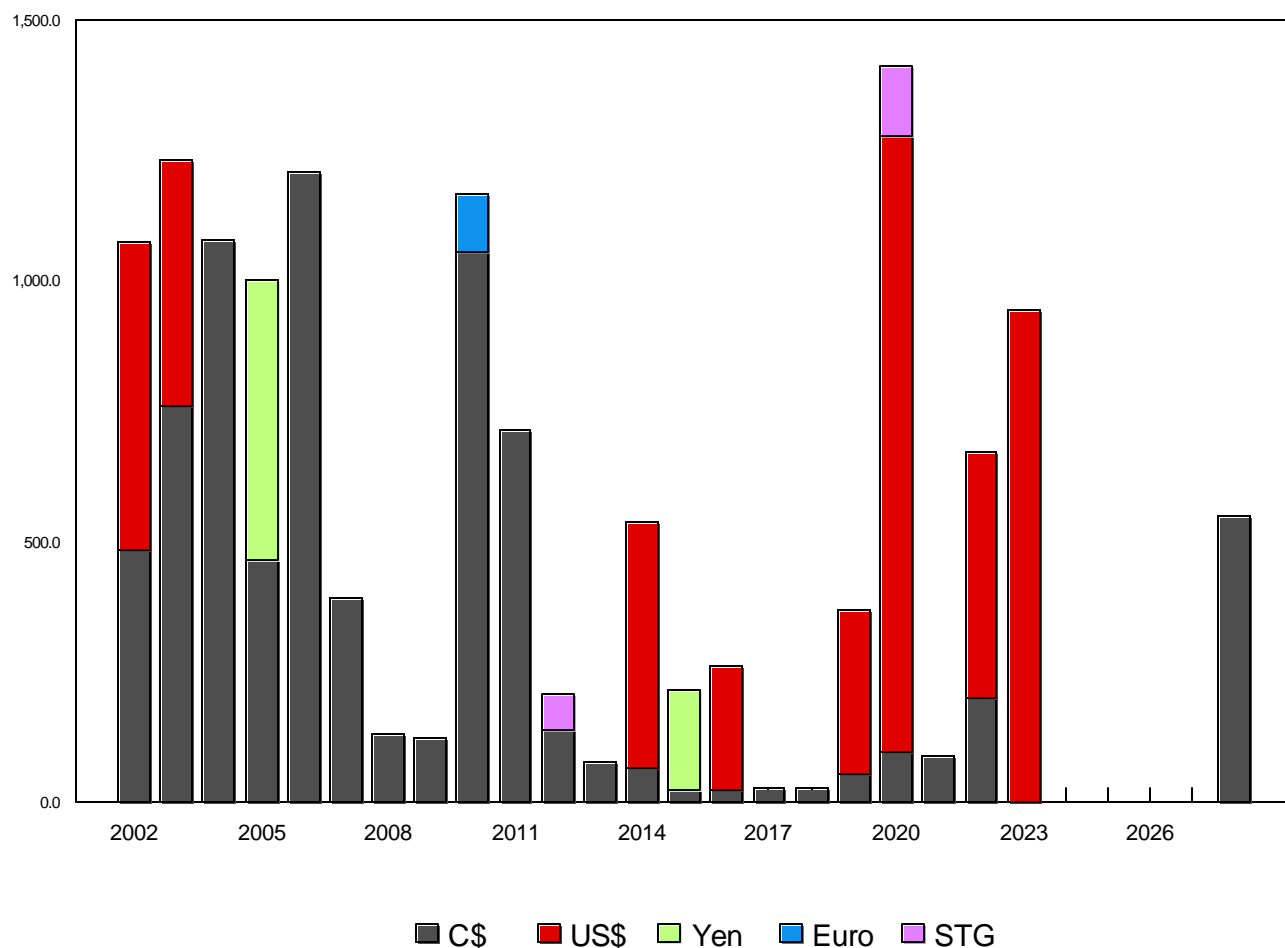
**CONSOLIDATED FUND DEBT PORTFOLIO -
Issuance Profile, 2000-2001**

Chart 4



CONSOLIDATED FUND DEBT PORTFOLIO -
Maturity Schedule
(in C\$ millions)

Chart 5



2) Maturity Schedule

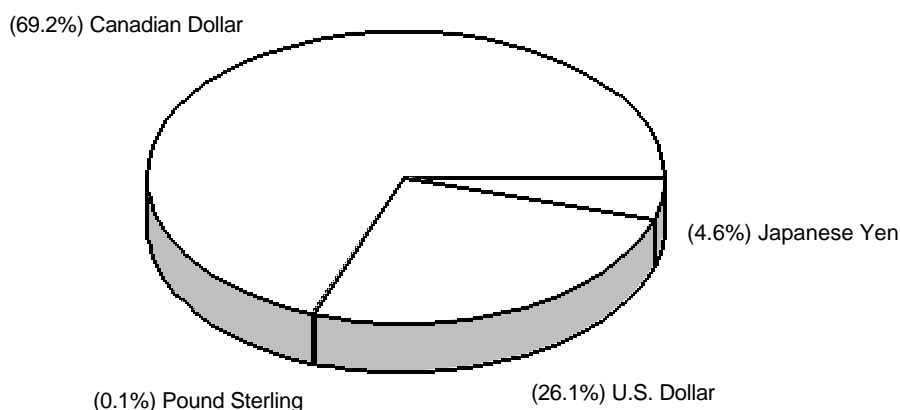
The expected weighted average term to maturity of the debt portfolio at March 31, 2001 decreased moderately to 10.2 years from approximately 10.6 years in the previous year. Chart 5, titled "Consolidated Fund Debt Portfolio - Maturity Schedule", displays the maturity profile of the Province's debt portfolio. The currency exposures are shown prior to the effect of derivative transactions. Debt maturities over the next two years are \$1.04 billion in fiscal 2001-2002 and \$1.23 billion in fiscal 2002-2003 (see Schedule 17). These amounts are partially offset by Sinking Funds established to retire each debt issue. The Province also has the option of drawing down the Public Debt Retirement Fund (PDRF) which was established to retire debt and maintain liquidity.

3) Foreign Currency Exposure

The Canadian dollar denominated debt represented the largest share of the portfolio at 69.2 per cent (excluding Sinking Funds and Debt Retirement Funds) based on the face value in Canadian dollars, up from 64.4 per cent a year earlier. The reduction in foreign currency exposure during fiscal 2000-2001 was due to a weakening of the Japanese Yen and increased Canadian dollar financing. These factors were somewhat offset by the decline in the value of the Canadian dollar relative to the US dollar. The Nova Scotia Provincial Finance Act requires that the Province reduce its foreign currency exposure to under 20.0 per cent and that all maturities of greater than one year are refinanced net in Canadian dollars. The Department of Finance continues to forecast that given this legislation in combination with the schedule of foreign currency maturities, the Province will achieve the 20.0 per cent foreign exposure target by no later than mid-2004.

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

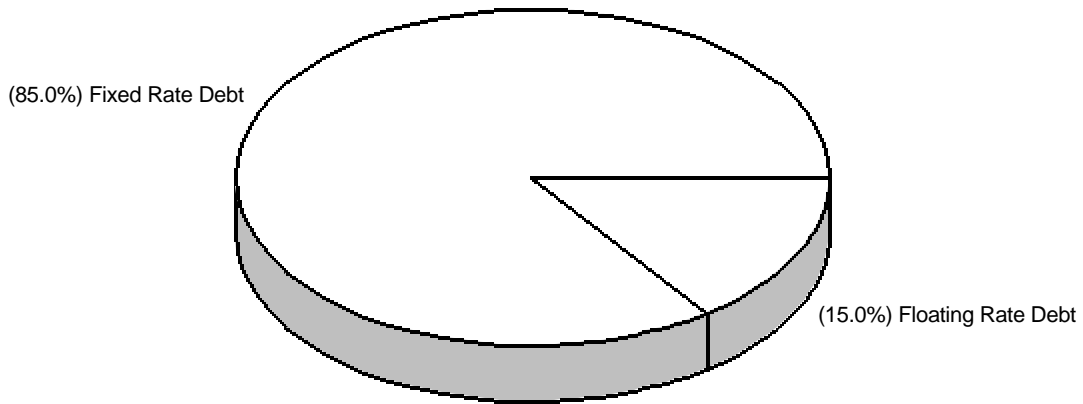
Chart 6



In fiscal 2000-2001, the value of the Canadian dollar against the US dollar (on a year-over-year basis) rose by 12 cents to the detriment of the Province. A rate of \$1.5736 (\$63.5 USD/CAD) for the Canadian dollar per USD is assumed for March 31, 2001. The value of the Japanese Yen rose to 123.8 from 102.7 Yen per USD to the benefit of the Province. The Province's largest foreign currency exposure remains to US dollars at 26.1 per cent, down from 28.0 percent a year earlier. Japanese yen exposure is the second largest foreign exposure at approximately 4.6 percent. The Province's Swiss Franc exposure was eliminated in fiscal 2000-2001. 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.

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

Chart 7



4) Interest Rate Mix

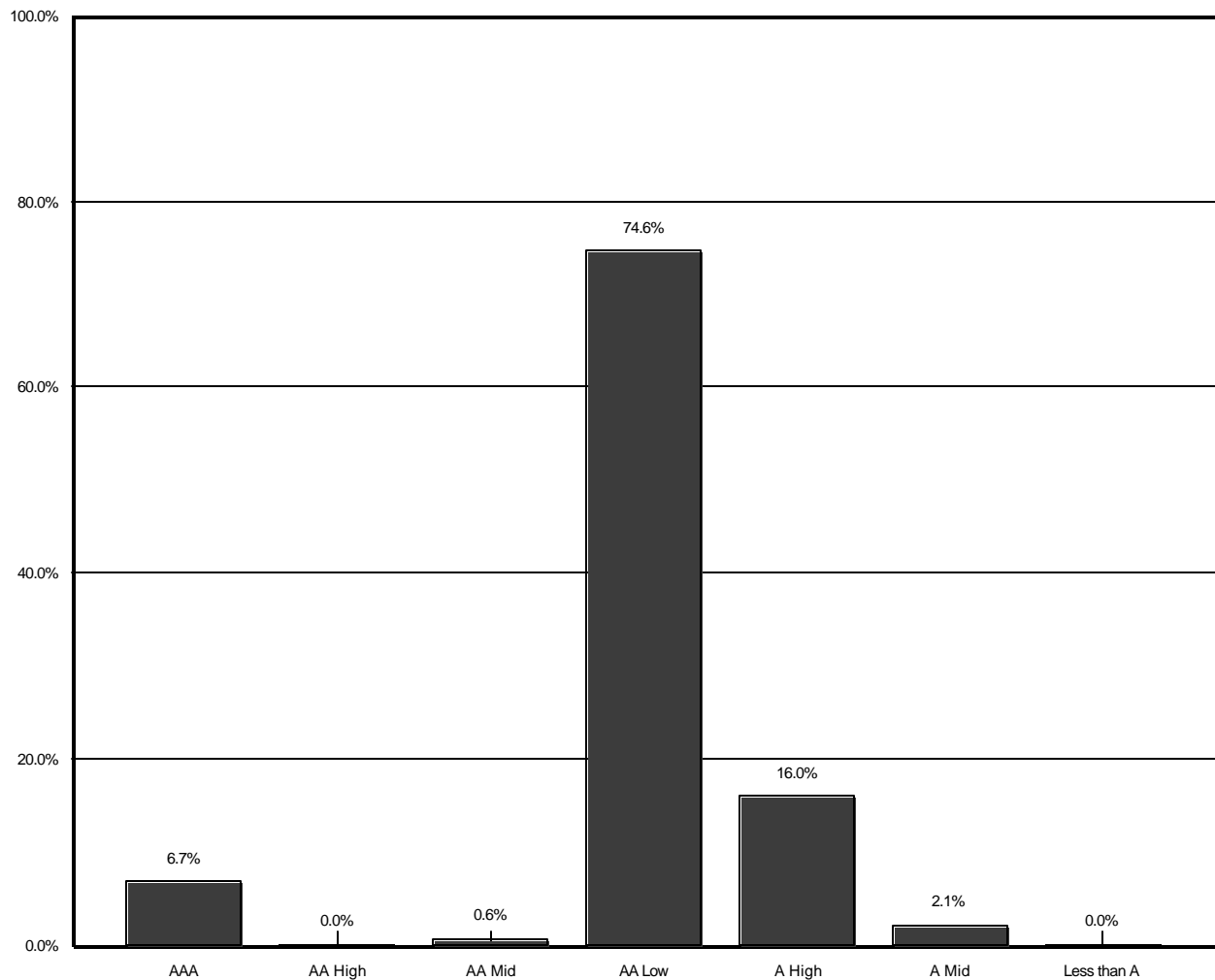
The debt portfolio's exposure to floating interest rates has remained unchanged over the past year at 15.0 per cent for the fiscal year ended. This level is at the low end of the Province's floating rate exposure policy of having floating rate exposure in the range of 15.0% to 35.0% of debt outstanding. Having 85.0 percent of the total principal in fixed rate form provides stability in debt servicing costs for future years. Chart 7, titled "Consolidated Fund Debt Portfolio - Fixed And Floating Rate Debt", displays the interest profile of the Province's debt portfolio.

5) Derivative Counterparty Exposure

The Province is currently party to approximately \$3.5 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 8, titled "Consolidated Fund Debt Portfolio - Derivative Counterparty Rating", displays the percentage exposure with counterparties of various ratings. When a counterparty has a split rating, the Province uses the lower of the two ratings.

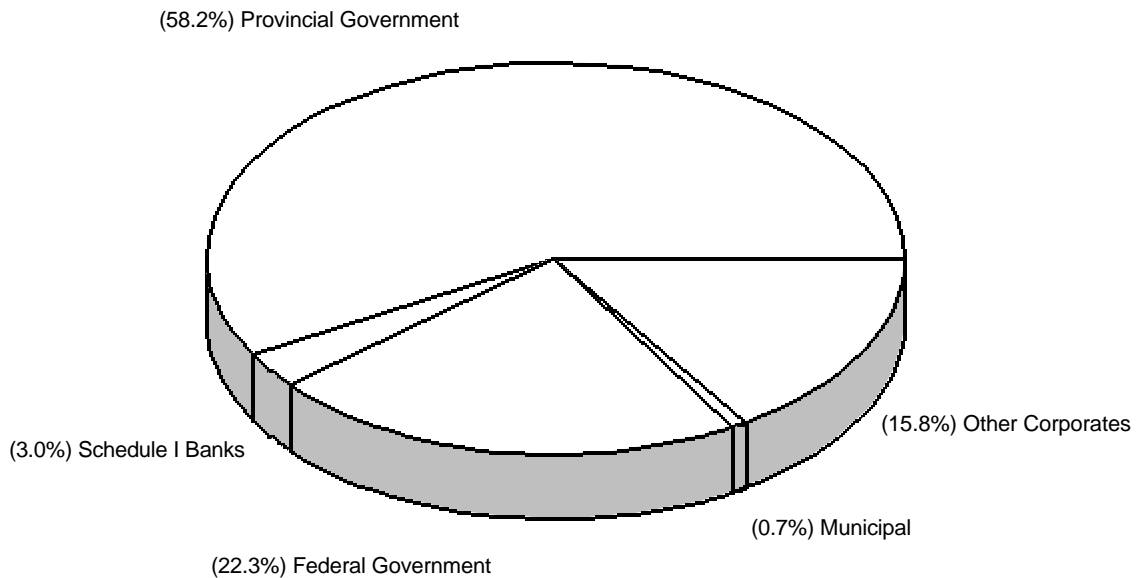
**CONSOLIDATED FUND DEBT PORTFOLIO -
Derivative Counterparty Rating**
(per cent)

Chart 8



Sinking and Public Debt Retirement Funds
Investments by Type of Issuer
(on a Book Value Basis)

Chart 9



Structure of Sinking Funds and Public Debt Retirement Fund

At March 31, 2001, the estimated book value of the Sinking Funds is \$1,991.7 million and the Public Debt Retirement Funds (PDRF) is \$769.5 million (see Schedule 18). 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 the end of March 2001, over 80.0 percent of the assets were invested in either federal or provincial debt obligations. The Public Debt Retirement Fund is primarily invested in Government of Canada, US Treasury and provincial bonds. Cash and equivalents in the Sinking Fund and PDRF are 18.3 percent of total assets. At March 31, 2001, the Public Debt Retirement Fund has only one small investments in securities of the Province of Nova Scotia. Chart 9, "Sinking and Public Debt Retirement Funds - Investments 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 14

<u>Change in Financial Market Variables</u>	<u>Change in Debt Servicing Costs (C\$ millions)</u>
\$10.0 million change in borrowing requirements	0.57
1% change in Canada 3-Month Treasury Bill	16.5
1% change in Canada 10-Year Bond	5.4
1% change in US 3-Month Treasury Bill	3.1
1 Canadian cent change per 1 US dollar	2.6

Debt Servicing Costs - Sensitivity Analysis

Actual debt servicing costs will vary from estimated amounts due to the dependence of debt servicing costs on certain financial market variables. The assumed levels for financial market variables are listed in Schedule 15. The sensitivity of the debt servicing costs estimates for the key variables are listed in Schedule 14.

The sensitivities show how much debt servicing costs would change if a variable changed from an assumed level for a full year. For example, if the Canadian dollar was 1 cent stronger relative to the assumed level of \$1.5712 for the entire period April 1, 2001 to March 31, 2002, then debt servicing costs would decrease by \$2.6 million, all other factors held constant.

**INTEREST RATE and FOREIGN EXCHANGE
RATE ASSUMPTIONS**

Schedule 15

	<i>ESTIMATE</i> 2000-2001	<i>AVERAGE</i> 2000-2001 <i>Actual</i>	<i>Assumptions</i>				
			<i>FORECAST</i> 31-MAR-2001	<i>ESTIMATE</i> 2001-2002	<i>ESTIMATE</i> 2002-2003	<i>ESTIMATE</i> 2003-2004	<i>ESTIMATE</i> 2004-2005
Foreign Exchange Rates							
United States Dollar							
CAD/USD	1.4620	1.5021	1.5736	1.5712	1.5696	1.5671	1.5621
USD/CAD	\$0.6840	\$0.6657	\$0.6355	\$0.6365	\$0.6371	\$0.6381	\$0.6402
Japanese Yen							
JPY/USD	98.00	110.24	123.76	118.40	112.79	107.16	101.71
CAD/JPY	0.01492	0.01363	0.01271	0.01327	0.01392	0.01462	0.01536
10-Year Government Rates							
Canada	6.50%	5.71%		5.25%	5.75%	6.00%	6.00%
3-Month Treasury Bill Rates							
Canada	5.75%	5.46%		4.45%	5.25%	5.50%	5.50%
United States	6.25%	5.84%		4.25%	5.00%	5.25%	5.25%

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 2001-2002 Debt Servicing Costs are shown in the column "Estimate, 2001-2002" in Schedule 15. This Schedule also shows the assumptions used to estimate debt servicing costs for the fiscal year 2000-2001 and the actual levels achieved in that fiscal year. The column "Average, 2000-2001, Actual" shows the average actual level for the period from April 1, 2000 to March 21, 2001. The column "Forecast, 31-Mar-2001" shows the actual level on March 21, 2001.

The Province of Nova Scotia's remaining Swiss Franc issue matured in fiscal 2000-2001.

PROJECTED DEBT SERVICING COSTS
(\$ millions)

Schedule 16

	<i>ESTIMATE</i> 2000-2001	<i>FORECAST</i> 2000-2001	<i>ESTIMATE</i> 2001-2002	<i>ESTIMATE</i> 2002-2003	<i>ESTIMATE</i> 2003-2004	<i>ESTIMATE</i> 2004-2005
Gross Debt Servicing Costs	1,049.5	1,097.3	1,043.4	1,035.9	1,063.7	1,098.0
Less: Sinking Fund Earnings	(150.4)	(126.6)	(134.5)	(139.8)	(138.4)	(141.6)
Net Debt Servicing Costs	899.1	970.7	908.9	896.1	925.2	956.4

PROJECTED BORROWING REQUIREMENTS
(\$ millions)

Schedule 17

	<i>ESTIMATE</i> 2000-2001	<i>FORECAST</i> 2000-2001	<i>ESTIMATE</i> 2001-2002	<i>ESTIMATE</i> 2002-2003	<i>ESTIMATE</i> 2003-2004	<i>ESTIMATE</i> 2004-2005
Government Operations	268.1	198.9	90.7	(8.6)	(11.4)	(39.4)
Net Capital Advances	51.7	31.7	58.9	50.0	50.0	50.0
Net Tangible Capital Assets	18.8	56.0	84.7	66.3	59.8	53.8
Non-Budgetary Transactions	48.3	(15.8)	(4.1)	100.1	97.7	57.3
Nova Scotia Resources Limited	27.9	675.0	(420.0)			
Cash Operating Requirements	414.8	945.8	(189.8)	207.8	196.1	121.7
Debt Retirement	1,035.9	1,226.1	1,035.9	1,228.6	1,077.3	1,001.3
Public Debt Retirement Fund Income (1)	61.9	57.5	53.8	50.5	42.1	39.8
Public Debt Retirement Fund Withdrawals	(250.0)	(250.0)	(100.0)	(100.0)	(150.0)	---
Net PDRF requirements	(188.1)	(192.5)	(46.2)	(49.5)	(107.9)	39.8
Sinking Fund Instalments (2)	286.8	286.8	253.8	262.5	271.7	275.0
Sinking Fund Income (1)	148.8	126.6	134.5	139.8	138.4	141.6
Sinking Fund Withdrawals	(296.0)	(296.0)	(125.3)	(406.7)	(209.8)	(200.3)
Net Sinking Fund Requirements	139.6	117.4	263.0	(4.4)	200.3	216.3
Total Borrowing Requirements	1,402.2	2,096.8	1,062.9	1,382.5	1,365.8	1,379.1
Term Debt Borrowing (Proceeds)		1,330.6				
Short-Term Borrowing		766.2				
Total Borrowing Requirements		2,096.8				
Term Debt Borrowing (Proceeds):						
Domestic Syndicated Issues		948.1				
Medium Term Notes		304.2				
Canada Pension Plan		78.3				
Total - Term Debt Borrowing		1,330.6				

- (1) - 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.
- (2) - 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 pre-funding.

PROJECTED GROSS and NET DEBT
(\$ millions)

Schedule 18

	ACTUAL 1999-2000 (recast)	FORECAST 2000-2001	ESTIMATE 2001-2002	ESTIMATE 2002-2003	ESTIMATE 2003-2004	ESTIMATE 2004-2005
Gross Debt						
Opening Balance	11,915.6	12,932.4	14,110.5	14,208.4	14,359.1	14,646.4
Borrowing Program	1,506.7	1,330.6	1,062.9	1,382.5	1,365.8	1,379.1
Debt Retirement	(402.5)	(1,226.1)	(1,035.9)	(1,228.6)	(1,077.3)	(1,001.3)
Foreign Exchange (Gain)/Loss	(160.1)	188.0	22.6	28.8	30.0	25.9
On-Lending - NSMFC	(62.5)	21.1	(33.8)	(32.0)	(31.2)	(31.3)
On-Lending - NSRL	(119.8)	---	---	---	---	---
P3 Leases	307.3	21.1	82.1	---	---	---
Pension Obligations	213.5	---	---	---	---	---
Change in Net Unfunded Debt	(265.8)	843.4	---	---	---	---
Closing Balance	12,932.4	14,110.5	14,208.4	14,359.1	14,646.4	15,018.8
Less: Public Debt Retirement Funds						
Opening Balance	894.1	962.0	769.5	723.3	673.8	565.9
Earnings	67.9	57.5	53.8	50.5	42.1	39.8
Debt Retirement	---	(250.0)	(100.0)	(100.0)	(150.0)	---
Closing Balance	962.0	769.5	723.3	673.8	565.9	605.7
Less: Sinking Funds						
Opening Balance	1,642.1	1,874.3	1,991.7	2,254.7	2,250.3	2,450.6
Instalments and Serial Retirements	242.5	286.8	253.8	262.5	271.7	275.0
Earnings	135.2	126.6	134.5	139.8	138.4	141.6
Debt Retirement	(145.5)	(296.0)	(125.3)	(406.7)	(209.8)	(200.3)
Closing Balance	1,874.3	1,991.7	2,254.7	2,250.3	2,450.6	2,666.9
Net Debt	10,096.1	11,349.3	11,230.4	11,435.0	11,629.9	11,746.2

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**
(\$ millions)

Schedule 19

	<i>ACTUAL</i> 1999-2000	<i>FORECAST</i> 2000-2001	<i>ESTIMATE</i> 2001-2002	<i>ESTIMATE</i> 2002-2003	<i>ESTIMATE</i> 2003-2004	<i>ESTIMATE</i> 2004-2005
Opening Balance	10,311.2	11,219.8	11,472.8	11,648.2	11,705.9	11,754.3
Add (Deduct):						
Provincial (Surplus) Deficit	773.2	198.9	90.7	(8.6)	(11.4)	(39.4)
Increase (Decrease) in the Net Book Value of Tangible Capital Assets	135.4	54.1	84.7	66.3	59.8	53.8
Increase (Decrease) in Net Direct Debt	908.6	253.0	175.4	57.7	48.4	14.4
Closing Balance	11,219.8	11,472.8	11,648.2	11,705.9	11,754.3	11,768.7

Net Direct Debt

Net Direct Debt is calculated by subtracting the financial assets from the liabilities and adjusting for capital assets.