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**Introduction**

Mr. Speaker, I am honoured to stand in this House and to present to you, my colleagues, and all Nova Scotians, my first budget address.

If I have any advice to the listening audience - it's get comfortable.

I am going to take the time needed to put things into perspective, to fully account for the dollars we have spent over the past four plus years, and as fully as possible, account for the new dollars we will invest through this year's budget to make life better and a little easier for Nova Scotia families.

And while I'm going to cover a lot of ground, I won't be able to cover it all. But rest assured, what I don't cover in my budget address will be covered in considerable detail in the numerous documents accompanying this budget.

With that said, let's take a quick look back, before we look to the year ahead. Mr. Speaker, almost five years ago, this government laid out its long-term fiscal plan. A plan that promised to focus on Nova Scotians' priorities, to balance the budget within three years, and to provide a 10 per cent tax cut for every working Nova Scotian in year four.

And as promised, we delivered.

We increased spending for front-line health care, education, and roads in each and every year of our mandate.

We made some difficult, often agonizing, decisions to eliminate Nova Scotia's crushing $500-million deficit.

We provided Nova Scotians with the first installment on their 10 per cent tax cut.

And, as I announced last week, we weathered the fury, as well as the unexpected $20-million bill Mother Nature threw our way in the form of floods, blizzards, and Hurricane Juan.

Despite last year's unexpected weather events, despite the impact of SARS and the mad cow scare, we committed an additional 8 million new dollars to help our universities contain rising tuition fees, as well as an additional 5 million new dollars to support research and innovation. All dollars over and above those committed in the 2003-2004 budget.

More importantly, we ended fiscal 2003-2004 with a $14.5-million surplus. Every penny of which goes directly to the debt.

And today, Mr. Speaker, I am proud to present to Nova Scotians their third consecutive balanced budget, a budget with a $2.1-million surplus. A budget that also provides for $10 million in debt relief, including $6 million to be deposited in Nova Scotia's first-ever Debt Retirement Fund. Another first for Nova Scotia, and another first for this government, Mr. Speaker.

All totalled, from fiscal 2002-2003, through to this year, we have managed to the point where surpluses have contributed to over $58 million for debt repayment.

Mr. Speaker, I want to take a moment to remind Nova Scotians of the rewards of their sacrifices and of their hard work.

Nova Scotia is stronger today, more self-reliant, than it has been in decades.

The proof of this is in the sharp and steady increase in our own-source revenues. In 1999 provincial revenues accounted for 62 per cent of total revenues. Today they account for 66 per cent.

Mr. Speaker, this didn't happen as a result of magic, good luck, or wishful thinking. It happened because every day more and more Nova Scotians are going to work and generating the revenues needed to invest in better health care, better education, better roads, and a stronger, more diverse economy.

What this means is that we are no longer relying so much on others, as we are on ourselves.

What this means is that Nova Scotians can feel more secure, more confident in the province's ability to meet their needs in the future.

Now, let's take a moment to look at our efforts as a government to help make this and so much more happen.

Mr. Speaker, even before we take into account any new spending measures contained in this year's budget, Nova Scotians have witnessed considerable progress on many fronts.

The results of our efforts are not only measurable, they are clearly paying off.

The deficit is long gone.

Nova Scotia's debt-to-GDP ratio has improved.

Nova Scotia's credit rating has improved.

Nova Scotia's foreign currency exposure is now well below 20 per cent - and well beyond previous targets.

Wait times for cardiac care, cancer care, MRI, and bone densitometry services are all down.

There are more doctors and nurses at the bedside.

More students are receiving one-on-one time with their teacher.

Funding for the public school system has increased by over $1,500 per student.

Record numbers of Nova Scotians are working; thousands more are no longer on welfare.

Over 55-hundred seniors no longer pay the full Pharmacare premium.

Two hundred and fifty more children are receiving subsidized day care.

Nova Scotians are driving on better, safer roads. We have more than doubled the new money spent on road and highway improvements.

And, Mr. Speaker, we did all of this and more using the most stringent and transparent accounting practices in the country.

This year's budget will build on that progress.

Mr. Speaker, it's clear, we delivered.

It's also clear, Ottawa failed to deliver.

It failed to deliver its fair share toward the rising costs of health care. It also failed, Mr. Speaker, to adjust and make fair its equalization formula.

And that, Mr. Speaker, has left us with little or no choice but to revise our tax reduction plan.

Before we look at the details, let's consider what the adjustments will mean to Nova Scotian families.

**Almost everyone will continue to pay less**

Mr. Speaker, our new tax plan means that more than half of all taxpayers, fully 53 per cent, will continue to receive their full 10 per cent income tax reduction.

It means that 96 per cent of all taxpayers will continue to pay less provincial income tax in the 2004 taxation year compared to the year before.

And, as promised in last year's budget, it means that 3,500 more Nova Scotians will not pay any provincial income tax this year. None whatsoever, Mr. Speaker.

Mr. Speaker, this government is protecting the full 10 per cent tax reduction for low-income families, those families with the least amount of disposable income, those families most likely to spend their tax savings at the local corner store, grocery store, or hardware store.

Make no mistake, this government has done everything it can to reduce the tax burden for as many Nova Scotians as we can, by as much as we can, and as fast as we can.

And make no mistake about this, this government will continue to work hard to find the means to continue to do so.

Because, Mr. Speaker, we believe lower taxes contribute to a more competitive economy. And because a more competitive economy is the only sure way of guaranteeing that the vital programs and services we all count on today will be there for our children and their children tomorrow.

Mr. Speaker, the adjustments to our personal income tax plan are as follows.

Effective January 1, 2004, the rate on the first income bracket will remain at the reduced level, meaning that all taxpayers will receive the full 10 per cent tax savings on their first $29,590 in taxable earnings.

The tax rate on the second and third income brackets will return to 2003 levels.

And a fourth income bracket, starting at $93,000, will be introduced at a tax rate of 17.5 per cent.

Here are a few examples of what it means to working families.

For the average family of four with one earner making $30,000, it means they will realize a tax savings of approximately $140 this year.

For the average family of four with one earner making $50,000, the savings will be about $134.

Those at higher income levels will see either smaller savings or modest increases compared to 2003.

Additionally, we are making other notable and important changes that will benefit thousands more Nova Scotia families.

Mr. Speaker, we will match recently announced federal changes that benefit caregivers and Nova Scotians with disabilities. The medical expense deduction will be increased to allow caregivers to claim more of the medical or disability-related expenses they incur on behalf of dependant relatives.

Employees taking post-secondary education will benefit from an expansion of the tax credit on eligible non-tuition expenses.

As well, expenses incurred by persons with disabilities for employment or education purposes will now be treated as a deduction from income rather than a medical expense tax credit.

And, Mr. Speaker, we will tangibly demonstrate our gratitude to Nova Scotia's service men and women for putting their family lives on hold and their lives at risk by serving in areas of extreme conflict. We will adjust provincial taxes owing for our military personnel in keeping with recently announced federal changes.

Mr. Speaker, we are also making changes on the corporate side of the ledger.

Effective April 1, 2004 the Corporation Capital Tax, which applies to banks and trust companies, will increase from 3 per cent to 4 per cent.

As well, the Large Corporations Tax, which applies to about 1,400 of Nova Scotia's largest companies, will increase from 0.25 per cent to 0.3 per cent.

Together these measures are expected to raise $17 million.

Mr. Speaker, the small business tax threshold, which we planned to increase to $300,000 by 2005-2006, will now be implemented a full year earlier, enhancing the savings for small and medium-sized businesses this year. Mr. Speaker, this is just one of a number of initiatives contained in this budget to support small business growth within our province.

Taken altogether, the changes on both the personal and corporate side of the ledger add up to $118 million for fiscal 2004-2005. Every cent and more, in fact $112 million more, will go to improve health care for Nova Scotians.

We made the changes to our tax plan for one reason and one reason only: we are committed to meeting the growing healthcare needs of Nova Scotians. Needs that Ottawa has chosen to ignore.

Mr. Speaker, let me be clear, we are not abandoning our plan to grow our economy, to create new jobs, or to generate new wealth within our province; rather, Ottawa is interfering with it.

In fact, Mr. Speaker, the combination of reduced equalization payments to Nova Scotia and no increase in federal healthcare base funding means Nova Scotia received $143 million less than expected in fiscal 2003-2004.

Mr. Speaker, it is important that Nova Scotians understand the full impact of reduced federal funding.

**Ottawa and the missing decade**

Mr. Speaker, more than 10 years ago, Ottawa began to drastically cut health and other vital program spending, leaving the provinces to absorb, not only more of the federal government's fair share, but the full share-the full share, Mr. Speaker-of rapidly rising healthcare costs.

Costs went up-way up-while the federal government's contribution went down.

Consider, from 1992-93 to 2003-2004, provincial spending on key social programs grew by over $1,000 per capita.

Ottawa's per capita spending, on the other hand, fell in 1992, eventually came back up a bit, then fell back down again.

In the end, it cost Nova Scotians well over $900 million in lost federal dollars. Dollars that were desperately needed to support and sustain health and other vital programs.

Only now, only now, Mr. Speaker, some 12 years after Ottawa began cutting transfers to the provinces, has federal support for health and other vital services finally climbed back up to the level it was at more than a decade ago.

I ask all members of this House, indeed all Nova Scotians, to consider this. Federal funding to support Nova Scotians' healthcare needs in 2004 completely dried up well over a month ago. Mr. Speaker, that's a far cry from when Medicare was first established and funded on a 50/50 basis.

Mr. Speaker, we welcome the Prime Minister's promise of a meeting to discuss how we can all work together to make the kind of changes we know are needed to sustain our universal, accessible, and publicly funded healthcare system.

In fact, we're ready to go tomorrow.

But that meeting is not going to take place anytime soon. And Nova Scotians aren't very likely to see any new federal healthcare dollars, anytime soon.

Mr. Speaker, what Ottawa fails to recognize, or refuses to accept, is that we're not facing a crunch, we're in it. And we're not in it alone.

Look across the country. Provinces are slipping back into deficit, increasing taxes, or laying off hundreds, if not thousands, of public servants. In some cases it's a combination of all three.

Mr. Speaker, let me quote from a recent Conference Board of Canada study that proves my point. It said, "With current fiscal regimes in place, the different fiscal prospects [between the federal and provincial and territorial governments] will widen in the future, as only the federal government will have the financial capacity to pay down its debt or implement new initiatives, such as tax cuts and new discretionary spending. In contrast, without changing current fiscal policies, the provinces and territories will not have the capacity to implement new policy initiatives over the next seventeen years."

Mr. Speaker, the Conference Board of Canada attributes this fiscal imbalance to Ottawa's failure to respond to the number one priority of Canadians: quality health care.

The bottom line is, Ottawa has made the choice not to invest more in health care; and Nova Scotians, along with Newfoundlanders, New Brunswickers, Manitobans, and virtually every other Canadian, have no choice but to live with the consequences.

And those consequences pose huge challenges for all provinces, and the biggest by far is finding the new dollars needed to meet our growing healthcare needs.

Mr. Speaker, this budget demonstrates that this government is meeting that challenge.

**Health care spending up ... way up again**

Estimate to estimate, Mr. Speaker, this year's healthcare budget will increase by an additional $230 million, bringing it to over $2.3 billion. Add in the budget of the Office of Health Promotion, up $3.6 million to a total of $18.5 million, and the total dollars spent this year to treat the sick or to keep the well, healthy, amounts to $2.36 billion.

Mr. Speaker, that amounts to over $2,500 this year for every man, woman, and child in the province. Healthcare spending now accounts for almost 40 per cent of Nova Scotia's total operating budget, up from 28 per cent in 1993-94.

Mr. Speaker, this government, like all Nova Scotians, knows that it's not just how much you spend that counts, it's where you spend it and how you spend it.

That's why we're spending it on what matters most. On more doctors, nurses, and technologists. On reduced wait times. And on new efforts to promote health and fitness, particularly when it comes to young Nova Scotians.

Mr. Speaker, let me take a moment to address, hopefully put to bed, a popular myth. Nova Scotia does not have, as many believe, a bloated healthcare bureaucracy. In fact, independent studies have confirmed that Nova Scotia has the smallest healthcare bureaucracy in the country.

With that said, let's review where the $2.36 billion we are investing in health care and wellness is going.

Our hospitals will receive an additional $78.5 million; medical payments account for $85.6 million more; long-term care increases by $24.1 million; and health promotion will see an additional $3.6 million.

Mr. Speaker, within the global numbers I just outlined, there are a number of very important and specific initiatives I want to highlight.

As noted, our hospitals will receive an additional $78 million. Included in this amount is a 7 per cent increase to enhance front-line care, money we promised two years ago through our multi-year funding commitment. As well, an additional $5.8 million will help put into full effect our commitment to reduce both emergency room and orthopedic wait times.

And, Mr. Speaker, despite the fact that 94 per cent of Nova Scotians have a family doctor, despite the fact we have the second best specialist-to-patient ratio in the country, and despite the fact that our nurse-to-patient ratio is above the national average, we are not prepared to let up as long as one community feels left out.

Recently we announced that Dr. Peter Vaughn, together with a broad range of professional organizations and community groups, will spearhead a renewed effort to secure the services of vital healthcare professionals, particularly for rural Nova Scotia where shortages are the most acute.

We will also continue our efforts to train, retrain, recruit, and retain more nurses through our very successful Nursing Strategy. Between 2001 and 2006 we will have invested $60 million to secure more nurses and to improve their working environment. And this year we will maintain our commitment with another $9.8-million investment.

Mr. Speaker, our Nursing Strategy is working and working well. The number of registered nurses is up, the number of graduate nurses is up, and so too, Mr. Speaker, is the number of graduate nurses choosing to stay, live, and work in Nova Scotia.

Mr. Speaker, last year we invested in eight new medical seats at Dalhousie University. That number will double this year as an additional eight new medical school seats are opened up.

Mr. Speaker, despite considerable investments in new medical equipment, such as renal dialysis and targeted funding to reduce cardiac, cancer, MRI, and emergency room wait times, more needs to be done.

And it will.

As we committed, we will move forward with the recom­mendations of the Wait List Monitoring Advisory Committee. We will continue to gather the information needed to launch a Wait List Information Database so that doctors and their patients know where specialty services can be accessed sooner rather than later.

Another highlight includes an additional $550,000 to improve Public Health Services so that Nova Scotia is fully prepared to deal with any new or unexpected outbreaks of potentially deadly or devastating diseases such as SARS or West Nile virus, as well as any terrorist-related chemical or biological events.

Other notable highlights include new investments to

• launch Nova Scotia's first Pediatric Rehabilitation Program

• help seniors better afford the high cost of prescription drugs

• provide new vaccines for children and adolescents

• expand liver transplant and renal dialysis services

• improve first Responder services

• improve medical and statistical information collection and sharing

• advance the use of new medical technologies (Picture Archiving and Communications), enabling patients to access specialty care without the added time, cost, or frustration of travelling outside of their communities.

Mr. Speaker, this government is receiving national recognition for being a leader when it comes to laying the groundwork for a comprehensive, integrated stroke strategy. Over the course of the coming year, we will continue to advance the recommendations of the Stroke Strategy Committee with a view to reducing the incidence of stroke, improving treatment for stroke survivors, and keeping more Nova Scotians from prematurely going into long-term care.

Which, Mr. Speaker, leads me to perhaps the most talked-about and justifiable criticisms of Nova Scotia's healthcare system, and that is some seniors in Nova Scotia's long-term care facilities are paying for healthcare costs that are free in many other provinces.

Mr. Speaker, that's about to change.

Over the past year, we made good progress in our efforts to reduce the cost of nursing home care for seniors. We picked up more of the medical costs and excluded a number of assets considered in determining a senior's ability to pay. But, more needs to be done. And it will be. And it will be done as soon as possible

Effective January 1, 2005, seniors living in nursing homes will no longer pay for their medical costs.

As well, Mr. Speaker, they will no longer have to sell off any of their assets, the things they have worked so long and so hard to obtain or achieve.

Mr. Speaker, this is a full two years ahead of schedule.

This means that all seniors, regardless of their income or the value of their estate, will keep 15 per cent of their total monthly income and will pay for room and board costs only. This also means that every senior will keep more of their income, at least $150 per month, to spend on their own priorities.

Mr. Speaker, Nova Scotia is proud to be the first province in Atlantic Canada to take this important step forward.

Last year we opened 30 new long-term care beds. This year we will invest an additional $2.2 million to open at least 60 additional beds. There is also an additional $13 million to address a number of operational pressures in this sector, including the need for upgrades and renovations and for more hours of care and training. All totalled, funding for long-term care will increase by over $24 million this year.

Mr. Speaker, I've already spent a good deal of time talking about health care.

I'm going to take a bit more to talk about good health - and what we are doing as a government to support healthier living.

Mr. Speaker, Nova Scotians rightfully ask why successive governments spend so much on caring for the sick and comparatively little on promoting good health.

The truth be told, it's like turning a giant tanker around in a small lake.

**Turning the tanker around**

The very real, costly, and pressing demands on Nova Scotia's acute care system, as a result of having one of the country's oldest and sickest populations, combined with an antiquated federal healthcare funding formula, leave little room to manoeuvre.

Mr. Speaker, this government is determined to turn the tanker around and to point Nova Scotians toward healthier ground.

As mentioned, the budget for the Office of Health Promotion will increase by $3.6 million, bringing it to a total of $18.5 million.

This increased investment will enable government, along with its many professional, non-profit, and community-based partners, to build on the many initiatives already begun or help others get well under way. Among this year's priorities for the Office of Health Promotion are

• advancing chronic disease prevention

• funding to support the next steps of the Physical Activity Strategy for Children and Youth program

• developing a healthy food and nutrition policy for our schools

• increased funding for the KidSport program, effectively tripling the dollars available to help children from low-income families participate in organized sport. The added dollars in this program alone, Mr. Speaker, will help an additional 1,000 to 1,500 kids join their friends at the local hockey rink, on the ball field, or at the local gym.

And, Mr. Speaker, to ensure that Nova Scotians have better access to local recreation facilities, we are setting aside $2.1 million for recreation facility grants.

As well, Mr. Speaker, we are providing new dollars to put in effect Community Health Board priorities, to increase smoking cessation efforts, to launch a problem-drinking initiative, and to advance Nova Scotia's injury prevention strategy.

Mr. Speaker, these initiatives will be enhanced by other efforts well under way in both the Departments of Education and Community Services. For example, Mr. Speaker, legislation has already been introduced to allow community groups that promote physical activity free access to publicly owned schools.

Mr. Speaker, now that I am on the topic of schools, I'll stay on it.

**Education spending up ... again**

Mr. Speaker, two years ago, after extensive consultation with teachers, students, parents, school boards, and many others, this government released Learning for Life, Nova Scotia's first comprehensive, multi-year plan for students in grades primary to 12.

The title of our plan spoke to the need to help our students appreciate that learning is a lifelong commitment. The focus of our plan was on putting the student first and the basics first.

Mr. Speaker, we stayed true to our plan.

We reduced class sizes in grade primary.

We put an additional one million books into the hands of our students.

We increased funding to support special needs students.

We also provided more resources and more support to help struggling young readers and writers, introduced, new professional development opportunities in priority areas, as well as new programs to help our students conquer math.

As the latest grade 6 literacy and writing test results show, we're beginning to see the benefits of our Learning for Life plan.

Eighty-nine per cent of Nova Scotia students either met or exceeded expectations in literacy. Another 81 per cent either met or exceeded expectations in writing.

Good progress Mr. Speaker, but there's still a lot more to do.

That is why, despite Nova Scotia's declining enrolment, funding for our public education system will increase by more than $20 million. Mr. Speaker, since 1999, total provincial funding for public education has increased by $89 million.

Salary and cost-of-living increases account for the lion's share of this year's increase, but we are also protecting or enhancing the investments already made.

Let me summarize.

We will build on our plan to give more of our youngest learners more one-on-one time with their teachers by extending our smaller class size initiative into grade one.

We will also increase funding for students with special needs by $3 million. This increase brings the total increase for special needs funding to $5.5 million since Learning for Life was first launched. In addition to this, we are providing $200,000 to fund tuition support for students with individual program plans, whose needs go beyond what the public school system can reasonably provide.

As well, for the second year in a row, we are increasing funding to libraries, and continuing to advance the recommendations of the Black Learners Advisory Committee (BLAC).

New dollars will also be made available to bring more Nova Scotia schools into our school accreditation program, which is specifically designed to help improve student learning and to more fully involve parents in the their child's education.

Mr. Speaker, the increased funding we are making available to Nova Scotia's public schools underscores this government's commitment to improve the test scores and learning outcomes for students from grade primary to grade 12.

Mr. Speaker, beyond the need to provide our students with a quality education is the need to provide them with a quality learning environment.

Our multi-year capital construction plan for new schools will continue on time and as promised, with $45.9 million being spent this year.

As well, $13.4 million has been set aside for alterations and additions. Mr. Speaker, this government knows the challenges in our public school system are formidable, not insurmountable.

We've made good progress, and with this budget we will make more.

**Post-secondary education… the money and the myth**

Mr. Speaker, Nova Scotia is proud to be home to 11 degree-granting institutions, a number of which consistently rank among our country's best.

Because we have a relatively small population, and because our universities are so popular with out-of-province students, Nova Scotia is a net importer of over 5,000 post-secondary students.

And that's good, but there's a catch.

The federal government funds post-secondary education on the size of our population, not on the number of students attending university in our province. In other words, Ottawa sends the cheques elsewhere, and we pay the bill.

To put it simply, the money the province provides our universities is paying for the education of students from Alberta, from Ontario, or from elsewhere across the country.

Mr. Speaker, the federal government continues to resist all reason, refusing to amend its funding formula.

And Nova Scotia taxpayers are making up the difference.

So let me address another popular myth. Nova Scotia does not, as some have wrongly suggested, provide its students with the lowest per student funding in the country.

In fact, it is the exact opposite, Mr. Speaker.

Based on our population, we are at the top of the list when it comes to funding Nova Scotia's post-secondary students.

That's because, as a government, we've worked hard to find the dollars needed to restore the dollars lost to our universities during the deep funding cuts from 1993 through to 1999.

As I noted earlier, we recently provided our universities with an additional $8 million.

Despite this, tuition fees continue to rise.

Mr. Speaker, this government is committed to working with our universities to contain the growing costs of a post-secondary education. In fact, we have already started discussions to arrive at a Memorandum of Understanding to do just that.

**Closing the skills gap ... more money for community college**

Mr. Speaker, our community college campuses are vital to our ongoing efforts to close the skills gap. Since 1999, we have invested $18.3 million to create over 1,000 additional seats, providing hundreds of young Nova Scotians with the opportunity to advance their education and their careers.

And last year, we announced $123 million over seven years, to support Nova Scotia's Community College Growth Plan. This plan, which will see major upgrades at campuses in every region across the province, will move forward with $25.5 million in capital expenditures this year.

We will also provide an additional $3.0 million in operating funding.

Mr. Speaker, we know this amount will not fully cover the costs of expanding the number of community college seats to expected levels. The Community College Board of Governors is currently considering a tuition increase. But, Mr. Speaker, when you look across the country, even with an increase, Nova Scotia's students are getting a top-notch education at a very reasonable cost.

**New funding for families in need**

Mr. Speaker, beyond the need to help Nova Scotians access better, faster health care, and beyond the need to help our students do better, is the need to do more to support Nova Scotia families struggling to make ends meet.

And the best way to do that is to help them find a job.

This year marks the third anniversary of the implementation of the new Employment Support and Income Assistance Program. Since this program was launched, Mr. Speaker, hundreds more

Nova Scotians have left welfare and have gone to work. In fact, since 1999 the welfare case load dropped by more than 5,400.

Yet despite the drop in the welfare rolls, we continue to increase the dollars going to support families in need.

The budget for the Department of Community Services will increase by $27.7 million, bringing it to a total of $694 million.

Let me highlight some of the measures we are taking to support Nova Scotia families in need.

Through our Early Childhood Development Initiative with the federal government, we will spend $3.7 million more on a broad range of programs and services for children, including $1.3 million for enhanced childcare subsidies, 50 new daycare seats, and funding to enhance physical activities within our childcare centres.

As well, beginning in October, we will increase the personal allowance for welfare recipients at a cost of $1.0 million. This investment will increase to $2 million in 2005-2006.

Additionally, and in partnership with our Family Resource Centres, we will expand parent volunteer and parent education programs.

We will also enhance the Healthy Beginnings Home Visitation Program to ensure that parents of young children get the support they need to help their child get off to a healthy start.

Mr. Speaker, in partnership with the federal government and non-profit agencies, we will also continue to expand the number of affordable housing units available to low-income Nova Scotians.

Mr. Speaker, we will also increase the budget to support adults in care by $10 million, bringing the total budget for this program to $155 million, a 7 per cent increase over 2003-2004. Included in this year's funding is an additional $1 million to help expand supports for adults in care. A discussion paper on this challenging issue is now being circulated among our stakeholders with a view to finalizing a new approach that more effectively meets the needs of adults in care, as well as their families.

Mr. Speaker, I've spent most of my time today detailing funding increases in the big three: Health, Education, and Community Services.

Mr. Speaker, let me take a moment to summarize just some of the other spending priorities in this year's budget.

**Spending that counts**

An additional $2.5 million will be made available for maintenance on rural roads, for an annual total of $12.5 million.

Government will also increase capital spending for resurfacing, rehabilitating, restoring, and reconstructing our provincial highways and bridges by $6 million.

In addition, operating funding for the 4-R program will increase by $620,000.

Mr. Speaker, this provides me with an opportunity to dispel yet another myth.

Contrary to popular belief, Nova Scotia is not taking in more money in gas taxes than it invests in roads.

In fact, every cent we collect in gas taxes and more goes to road and highway improvement - $6 million dollars more to be exact.

In addition to increased road spending, we will establish a new Small Business Growth Division within Nova Scotia Business Inc. This important investment will be complemented by a new Supplier Development Program designed to help Nova Scotia business identify new opportunities to sell more of their goods and services here at home.

As well, Mr. Speaker, $ 750,000 will be provided to promote Nova Scotia's many talented singers, songwriters, and musicians through Nova Scotia's first music strategy.

To enhance police capacity to more effectively identify and respond to cases of family violence, we will provide an additional $100,000 to the Domestic Violence Case Coordination Program.

As well, Nova Scotia's Senior Citizens' Secretariat will receive an additional $150,000 to help set up Nova Scotia's first Task Force on Aging and to launch new efforts to prevent elder abuse.

Mr. Speaker, we will also provide an additional $100,000 to the Office of the Auditor General. Nova Scotia is the only province in the country where the Auditor General reviews and signs off on the reasonableness of revenue projections. Shortly, we will be introducing legislation that will require the province to complete its audited financial year-end statement by the end of September.

This increase will assist the Auditor General's office meet this new measure of accountability, as well as to investigate and report on other priority areas.

Mr. Speaker, those are just some of the spending highlights contained in this budget.

**Finding the dollars to reinvest in Nova Scotia's priorities**

Mr. Speaker, it goes without saying, governments can't do everything; when you are investing significant new money in priority areas, when there are only so many dollars to go around, and when you are protecting a delicately balanced budget, adjustments must be made elsewhere.

In preparing this budget, Mr. Speaker, we took a long, hard look at the numbers and thought long and hard about our choices.

To the greatest extent possible, we worked hard to protect those programs and services that are most important to Nova Scotians. And, Mr. Speaker, to the greatest extent possible, we worked hard to find the dollars to support low-income families and the working poor. You see it in our tax plan. You see it in our income assistance plan. And you see it in our investment in the KidsSport program.

Mr. Speaker, to help make these and other investments possible, and to help find the dollars needed to address legitimate cost pressures across and throughout government, we reduced non-essential spending.

While most of the departments outside of the big three will see a small increase, some will see a modest decrease.

In some cases multi-year funding commitments have either come to an end or are drawing to a close. In others, we are eliminating or reducing discretionary grants; in still others we are taking longer to implement program improvements or taking the necessary steps to make programs and services more affordable for taxpayers.

These reductions, along with the adjustments we've made to our tax plan, increased user fees, and increased tobacco taxes, allow us to invest more in Nova Scotia's priorities, to make a multi-million dollar down payment on our debt and to post a modest $2.1-million surplus.

And while our operating budget remains in the black, Nova Scotia still faces a huge infrastructure deficit.

Mr. Speaker, we're tackling that too.

**Better roads, schools, and hospitals**

Once again, this year we will spend $250 million on roads and schools, and the Department of Health will provide $38 million in capital grants to the district health authorities.

Just as any responsible homeowner would borrow on their line of credit to fix a leaky roof and readjust their budget to pay for it over time, we are borrowing the capital dollars needed to fix old roads or build new ones, to replace or renovate old or sick schools, and to make badly needed upgrades to our hospitals.

A conscious decision, Mr. Speaker, made in good conscience.

While we know these capital investments will add to our debt, we also know Nova Scotia's ability to manage its debt is steadily improving. We also know these important investments add to our overall net worth as a province.

Improvements to our roads and highways add to our ability to attract visitors to our province and to get our products to market.

Improvements to our schools add to our ability to give our students a safe, healthy, and modern place to learn.

Improvements to our hospitals add to our ability to attract more doctors and nurses to our province and to better respond to the healthcare needs of Nova Scotians.

And all of the above, Mr. Speaker, will help us be competitive and grow our economy, something that is vitally important to our long-term prosperity.

In fact, to this end, government will shortly be releasing a comprehensive strategy to encourage more people from around the world to make Nova Scotia their permanent home.

**Managing the debt**

Mr. Speaker, Nova Scotia's net debt-servicing costs in 2003-2004 came in $25 million less than expected.

This year, despite borrowing $250 million to pay for needed capital improvements, Nova Scotia's net debt-servicing costs will remain largely unchanged from the forecast, up just $10 million over last year and mostly due to unfunded pension interest.

Mr. Speaker, changes in debt-servicing costs are influenced by a long list of complicated factors and outside influences, including the value of the dollar, interest rates, credit ratings, and foreign exchange exposure, to name a few.

Ultimately, the question of how well we are managing the debt, which now amounts to $12.3 billion, comes down to whether or not we are improving our capacity to manage it over the long term.

And we are.

The proof of this is in our improved credit rating.

The proof of this is in our reduced foreign currency exposure.

And the proof of this is Nova Scotia's net direct debt-to-GDP ratio, down for the third year in a row.

In 1999-2000, it was 48.7 per cent. Today it is 43.1 per cent, a 5.6 per cent improvement.

Another example, Mr. Speaker, of sound fiscal management.

**Partnering with our municipalities**

Mr. Speaker, despite the federal government downloading its costs onto the provinces, this government is committed to protecting municipal revenues.

Some municipalities have expressed concern that the province would take steps to recover the increased revenues they will receive through the HST rebate.

Mr. Speaker, this is not going to happen.

In fact, total provincial assistance to municipalities will increase slightly this year.

And, Mr. Speaker, we are pleased to provide Nova Scotia's capital city with its second $2-million installment for the Halifax Harbour Cleanup Project. We are also pleased to continue to advance the infrastructure priorities of municipalities throughout the province through the federal-provincial Municipal Infrastructure Agreement.

Mr. Speaker, Nova Scotia's municipalities are a partner in funding public education, with the province paying 90 per cent and local governments paying the 10 per cent on incremental funding for public education.

Again, we are not changing the rate at which municipalities contribute to public education. It will stay exactly where it is.

We are, however, going to include teacher pension amounts in the basket of goods we are asking municipalities to help cover.

Mr. Speaker, growing assessment roles and increased assessments mean revenues for municipalities are up, in some cases, way up. This measure should not have any kind of measurable impact on either their tax rate or their efforts to improve local services.

**Outlook for the future**

As members know, government takes a host of economic indicators into account when preparing its budget: GDP, employment, retail sales, residential construction, and personal income growth to name a few.

All of them, Mr. Speaker, are outlined in considerable detail in the documents accompanying my address.

Mr. Speaker, despite a challenging year as a result of a sluggish US economy, devastating weather events, and the economic impact of SARS and mad cow disease, Nova Scotia's economy continues to grow.

Nominal GDP grew 3.3 per cent in 2003. By 2005 it is expected to increase to 4.4 per cent.

Growth in retail sales, while coming in at less than 1 per cent in 2003, is expected to rebound in 2004 and 2005 and stay in the 4 to 5 per cent range.

Employment growth is expected to remain relatively stable at over 1 per cent through to 2005, while personal income growth is expected to grow to 3.5 per cent by 2005, up from 3.0 per cent in 2003.

Corporate profits are expected to continue to post healthy gains over the next two years.

Mr. Speaker, our economic indicators, as well as those prepared by private-sector forecasters, show steady growth over the next year. Barring a number of outside or unforeseen circumstances, Nova Scotia's economy should continue to grow at a steady pace through to the end of 2005.

**In the end it all comes down to this**

Mr. Speaker, let me wrap up by saying this.

If it wasn't for good management and the fact that Nova Scotia's economy continues to move in the right direction, Nova Scotians might well be looking at a much different budget and a much different future.

One where taxes were going up for everyone, as opposed to down for the vast majority.

One where there were deep cuts in priority areas, as opposed to significant new investments.

One where wage freezes, rollbacks, or massive layoffs were expected, as opposed to steadfastly rejected.

Perhaps, one where red ink flowed everywhere, as opposed to the black ink that for three years in a row has marked our progress.

Progress that can be easily measured on many fronts.

On the fiscal front.

On the economic front.

On the social front.

Mr. Speaker, every member in this House, to a person, has said they support a balanced budget. And we delivered.

Every member of this House knows of the need to invest in better health, better education, better roads, and stronger families. And we delivered.

Every member in this House understands that lower taxes make our economy more competitive. Again, we delivered.

And every member in this House should know that in order for working men and women to do more to support their families, they need to keep more of their hard-earned dollars. And, Mr. Speaker, 96 per cent of Nova Scotians will.

Mr. Speaker, this budget isn't just about dollars and cents.

It's about the values Nova Scotians believe in.

Living within our means.

Helping those in need.

Doing what's right, not just easy.

Faith in ourselves.

Fairness.

Protecting Priorities

Mr. Speaker, this budget isn't just fiscally balanced, it is balanced in every sense of the word.

It is forthright and fair.

Reasonable and realistic.

Mr. Speaker, it's the right budget for Nova Scotia.

Thank you.