

Chapter 2

Nova Scotia's Finances from 2018 Public Accounts

Key Messages:

- Chapter provides highlights to encourage public discussion on the Province's financial results. This is not a commentary on government policy or decisions. More analysis is provided in the Public Accounts of Nova Scotia.
- For the last 10 years, financial indicators show a worsening position; indicators for the last 5 years show that these worsening results continue but the decline has slowed.
- The Province's expenses increased by 32% over the past 10 years to deliver services to roughly the same population (2% increase). These numbers can generate valuable public discussion on NS's future finances.

Financial Condition of the Province of Nova Scotia

One picture of a government's financial condition is the use of ratios and analysis to generate discussion on sustainability, flexibility, and vulnerability. These elements of financial condition are those suggested by Canada's Public Sector Accounting Board.

Sustainability indicators are meant to show the Province's ability to maintain existing services and financial requirements without needing to increase revenues or debt

10-year trend

- cumulative net deficit of \$663 million
- net debt increased by \$2.9 billion
- net long-term debt increased by \$4.1 billion

5-year trend

- cumulative net deficit of \$453 million
- net debt increased by \$1.1 billion
- net long-term debt increased by \$500 million

Overall: The past decade shows a trend of worsening sustainability. However, the past 5 years has been less so with long-term debt increasing by only 4% as opposed to a 44% increase over 10 years. The current net debt per Nova Scotian increased over the past 10 years from \$12,946 to \$15,682.

Flexibility indicators are meant to show the Province's ability to increase revenues or debt borrowings within its economy

10-year trend

- interest on long-term debt constant at an average of \$742 million annually; no significant increase or decrease
- interest on long-term debt per capita ranged between \$744 and \$825 per Nova Scotian

5-year trend

- interest on long-term debt decreased from \$756 million to \$719 million per year
- interest on long-term debt per capita decreased from \$802 to \$754 per Nova Scotian

Overall: Interest paid on long-term debt has remained relatively constant over 10 years. The Province paid over \$7.4 billion in interest during the last decade.

Vulnerability indicators demonstrate how reliant the Province is on revenues outside its control. A key measure is federal transfers as a percent of total revenues, demonstrating the Province's reliance on the federal government.

10-year trend

- Federal government transfers as a % of total Provincial revenues decreased slightly
- Nearly \$1 of every \$3 of the Province's revenue comes from the federal government

5-year trend

- Federal government transfers as a % of total Provincial revenues decreased slightly
- Nearly \$1 of every \$3 of the Province's revenue comes from the federal government

Overall: Nova Scotia continues to rely on equalization payments and other federal transfers.



Selected Financial Highlights

Expenses	Highlights
Overall	<ul style="list-style-type: none">• Annual expenses up \$2.9 billion (32%) since 2008 to provide services to a population that increased by 2% in the decade• Spending \$12,318 per Nova Scotian in 2018 (2008 - \$9,488); up 30%• Executive Council approved an additional \$479 million in expenses above the 2017-18 budget
Health and Wellness	<ul style="list-style-type: none">• Increased \$1.4 billion (42%) over the past 10 years• 39% of the Province's 2018 expenses (2008 - 37%)• \$4,825 per Nova Scotian in 2018 (2008 - \$3,471); up 39%• 52% of healthcare costs¹ are for the 20% of Nova Scotians aged 65+
Education and Early Childhood Development	<ul style="list-style-type: none">• Increased \$335 million (25%) over the past 10 years• 14% of the Province's 2018 expenses (2008 - 15%)• \$1,751 per Nova Scotian in 2018 (2008 - \$1,427); up 23%• Student enrolment declined 12% over the past 10 years

Revenues	Highlights
Overall	<ul style="list-style-type: none">• Annual revenues up \$2.7 billion (29%) over the past 10 years and there was a cumulative annual deficit of \$663 million over this same period• Revenue growth mainly from increased tax revenues<ul style="list-style-type: none">• Tax revenues increased by \$1.8 billion (46%) over the past 10 years• Personal tax filers pay on average 45% more personal income tax than 10 years ago• Federal transfers increased by \$685 million (22%) over the past 10 years

5 Questions Nova Scotians may want to ask:

1. What do the financial indicators mean for the Province going forward in terms of revenue and expense plans?
2. How will the increasingly aged population of Nova Scotia impact future revenues and spending on healthcare and other costs?
3. How do healthcare costs of \$4,825 per Nova Scotian compare to other provinces and what does this mean for the future?
4. What did Nova Scotia get for \$4.1 billion more in net long-term debt over the past 10 years?
5. How much of the income tax increases over the past 10 years relates to income growth, tax policy change, and inflation?

¹ Canadian Institute for Health Information – 2015 Health spending data tables