

Chapter 2

Nova Scotia's Finances from 2019 Public Accounts

Key Messages

- This 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 by Government in the Public Accounts of Nova Scotia.
- Over the past 10 years, financial indicators show worsening trends; however, over the past 5 years, many indicators show improvement such as a decreasing net debt to GDP and recent surpluses
- The Province's expenses increased by 28% from 10 years ago to deliver services to roughly the same population (3% increase). These numbers can generate valuable public discussion on Nova Scotia'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 indicators are suggested by CPA Canada's Public Sector Accounting Board.

Sustainability indicators 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 \$575 million
- net debt increased by \$2.7 billion (22%)
- net debt to GDP decreased by 0.6% points
- net long-term debt increased by \$3.3 billion (32%)

Past 5 years

- cumulative net surplus of \$340 million
- net debt increased by \$200 million (1%)
- net debt to GDP decreased by 4.1% points
- net long-term debt increased by \$529 million (4%)

Overall:

- The past decade, taken as a whole, shows a trend of worsening sustainability
- Much of this worsening sustainability occurred in the first 5 years of the past decade
- Over the past 5 years, indicators such as the cumulative net surplus and net debt to GDP show improvement
- Tangible capital asset acquisitions increased the net debt by \$6.1 billion in the past decade

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

10-year trend

- interest on long-term debt averaged \$742 million annually
- interest on long-term debt per capita averaged \$786 per Nova Scotian

Past 5 years

- interest on long-term debt had minor fluctuations averaging \$741 million annually
- interest on long-term debt per capita averaged \$784 per Nova Scotian

Overall:

- Annual interest paid on long-term debt was relatively constant over the past 10 years
- The Province paid \$7.4 billion in interest during the last decade
- The average long-term debt per capita per Nova Scotian shows little change

Vulnerability indicators show the Province's reliance on revenues outside its control

10-year trend

- Federal government transfers went from 32.6% to 31.8% of total revenues

Past 5 years

- Federal government transfers went from 33.7% to 31.8% of total revenues

Overall:

- Nearly \$1 of every \$3 of the Province's revenue comes from the federal government



Selected Financial Highlights

| Expenses | Highlights |
|---|---|
| Overall | <ul style="list-style-type: none"> • Annual expenses up \$2.5 billion (28%) from 10 years ago to provide services to a population that increased by 3% in the past decade • Government spending \$12,245 per Nova Scotian in 2019 (2009 - \$9,834); up 25% in the past decade • Executive Council approved an additional \$347 million in expenses above the 2019 budgeted amount; \$98 million related to cleanup of contaminated sites |
| Health and Wellness | <ul style="list-style-type: none"> • Increased by \$1.2 billion (36%) over the past 10 years • 40% of the Province's 2019 expenses (2009 - 38%) • \$4,891 per Nova Scotian in 2019 (2009 - \$3,691); up 33% in past decade |
| Education and Early Childhood Development | <ul style="list-style-type: none"> • Increased by \$328 million (23%) over the past 10 years • 15% of the Province's 2019 expenses (2009 - 16%) • \$1,832 per Nova Scotian in 2019 (2009 - \$1,527); up 20% in past decade |

| Revenues | Highlights |
|----------|--|
| Overall | <ul style="list-style-type: none"> • Annual revenues up \$2.6 billion (28%) from 10 years ago • Revenue growth mainly from increased tax revenues <ul style="list-style-type: none"> • Tax revenues up \$1.7 billion (43%) from 10 years ago • Personal tax filers pay on average 30% more personal income tax than 10 years ago partially as a result of an increase in taxable income • Federal transfers up \$813 million (27%) from 10 years ago |

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 Nova Scotia's aging population impact future revenues, spending on healthcare, and other costs and what is the Government doing about it?
3. How do healthcare costs of \$4,891 per Nova Scotian compare to other provinces and what does this mean for the future?
4. Why is interest on long-term debt over \$30 million more in 2018-19 than in 2017-18?
5. Is the Province's practice of using new debt to repay old debt sustainable?
6. What are the plans on handling the Province's debt?
7. What does a decreasing net debt to GDP ratio mean for me?
8. Will more money be needed to clean up other abandoned mine sites and how will this impact other services?