

# Province Making Fiscal Progress But Fails First Chamber Report Card

## POLICY UPDATE

October 2, 2000

At the Spring Dinner in May, Chamber President Ian Thompson unveiled the next step in the Chamber's awareness campaign on the Province's fiscal crisis. The Chamber's *Cut Smart, Pay Less, and Reinvest in Priorities Report Card* will maintain the focus on prudent fiscal management until Nova Scotia has eliminated its deficit and begins to pay down its debt.

Look for the first-term Report Card in the October issue of *Business Voice*, at the Chamber breakfast event on October 10, and at [www.halifaxchamber.com](http://www.halifaxchamber.com) in the Policy Update section.

The Chamber remains fairly optimistic that the Province will be able to improve its overall grade of 49% before year's end. The efforts to privatize the Nova Scotia Liquor Commission, sell Sysco, and restructure departments are positive trends toward this goal.

On the other hand, this first Report Card shows that, while revenues are ahead of projections, so is spending. Rather than using windfall revenues to improve our long-term financial situation, the government has decided to spend more than what it proposed to spend in the spring budget.

In this first Report Card, the Province achieved mixed results in the six core areas the Chamber is tracking:

**Agencies, boards and commissions** - annual target is a reduction of 168. This means the Chamber wanted 66 eliminated between April 1 and August 31, 2000. Three have been eliminated. On any scale, this rates an F.

**Commercial enterprises** - annual target is to sell seven. This means the Chamber wanted three out of the Province's hands by August 31, 2000. They have sold one, stated they have no intention of selling three others, and are still studying the final three. The 33% performance to date garners another F.

**Reduce departments** - annual target is to eliminate seven. Three should have been eliminated by August 31. Two have been eliminated, resulting in a 67% result with marked improvement expected at the next report: C.

**Reduce public servants** - annual target is a reduction of 1,600 positions, or 667 by August 31, 2000. Six hundred positions have been eliminated to date. This 90% performance rates an A-.

**Reduce program spending** - the Province said it would reduce program spending by \$116 million. Projecting August results to the end of the year, it appears the government will miss that target by about \$31 million. C+.

**Reduce deficit** - the government may well meet its deficit reduction target but only because of windfall revenues, most of which are being used for more spending. Had all of the windfall revenues been applied to deficit reduction, the year's deficit could have been reduced by \$168 million; instead, the government says the deficit for the current year will be \$125 million less than last year's deficit. C+.

Average grade over the six categories is 49%, or an F.



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## REPORT CARD ON PROVINCIAL PERFORMANCE (as of August 31, 2000)

Assessment - As of August 31, 2000 the Province of Nova Scotia has failed to cut smart, is falling behind on its goal to pay less, and has yet to move into a position where it can afford to reinvest in priorities.

Average performance on six measures - 49%. Overall grade - **FAIL**

<b>CUT SMART</b>					
	Baseline figures from Department of Finance 1999-2000	Performance targets set by Chamber for 2000-2001*	Provincial Performance	Grade**	Comments
<i>Reduce Number of Agencies, Boards &amp; Commissions</i>	<b>316</b> Agencies Boards and Commissions in existence as of April 1, 2000.	<b>Eliminate 66</b> by August 31, 2000	3 eliminated	FAIL	4% of target achieved. Lack of progress in this area continues to add to the high costs of running the government.
<i>Get out of Commercial Enterprises</i>	<b>7</b> identified by the Chamber for immediate sale (NSRL, NSLC, Sysco, Pines, Keltic, Liscombe, Northumberland Links)	<b>Eliminate 3</b> by August 31, 2000	1 sold for \$1 3 under review for sale 3 will not be sold	FAIL	33% of target achieved. Completion of ongoing reviews may improve this grade by year end.
<i>Reduce Departments</i>	<b>21</b> Departments in existence at April 1, 2000	<b>Eliminate 3</b> by August 31, 2000	2 eliminated by merger, remaining mergers begun	C	67% of target achieved. This grade is expected to improve dramatically as mergers underway are completed.
<i>Reduce Public Service</i>	<b>Approximately 50,000</b> provincial public servants as of April 1, 2000.	<b>Reduce by 667</b> by August 31, 2000	180 layoffs 420 positions eliminated	A-	90% of target achieved. This is the only area where the province has come close to achieving its objectives.
<b>PAY LESS</b>					
<i>Reduce Program Spending</i>	<b>\$4.262 billion</b> spent on programs in 1999-2000	<b>Reduce by \$48 million</b> by August 31, 2000.	Province projects savings of \$35 million as of August 31, 2000.	C+	73% of target achieved. Province is still projecting savings of \$103 million over last year, but 3 departments are already over budget. Further spending growth will undermine this grade in future reports.
<i>Eliminate Deficit</i>	<b>\$387 million</b> In 1999-2000	<b>Reduce by \$169 million</b> for March 31, 2001	Projected reduction only \$125 million	C+	On track to achieve 74% of target. Using windfall revenues to increase spending rather than decreasing the deficit will place this grade at further risk as year end approaches.
<b>THEN...REINVEST IN PRIORITIES</b>					
<p>* Targets as of August 31, 2000 are calculated as five twelfths (.42 %) of the annual target set by the Chamber.  ** No credit is given for partial performance - completion of tasks will improve evaluation on later reports.  *** Deficit reduction target of \$169 million combines original year end target of \$119 million plus \$50 million in provincial revenue growth beyond that projected in the budget</p>					

GRADING SCALES (representing percentage achievement of targets)							
A+	More than 100%	B+	86 - 90%	C+	71 - 75%	D	50 - 60 %
A	96 - 100%	B	81 - 85%	C	66 - 70%	F	below 50%

A-	91 - 95%	B-	76 - 80%	C-	61 - 65%		
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