

You ASKED FOR IT!

Roger from Edmonton, Alberta asks: “How much does each province receive in equalization and how is it calculated?”



by Derek Fildebrandt
Research Director

CTF: “Excellent question Roger. Here’s a breakdown of who is getting what and how it is calculated...”

Every year, the federal government distributes “equalization payments” to select provincial governments. These payments are on top of the funding each province receives from Ottawa for health care, education and other social services.

The rationale behind equalization is to allow provincial governments to provide services at a comparable level with other provinces, without raising taxes. Some defenders of equalization will claim the payments are designed to help prov-

inces with smaller tax bases. However, given that Quebec is the second most populated province and largest recipient of equalization payments, that argument hardly makes ‘cents.’

Equalization payments are paid for by the federal government out of general revenues.

Determining which provinces receive equalization is determined by a complex and arcane formula that is even difficult for those whose jobs depend on it to understand. Here is how it

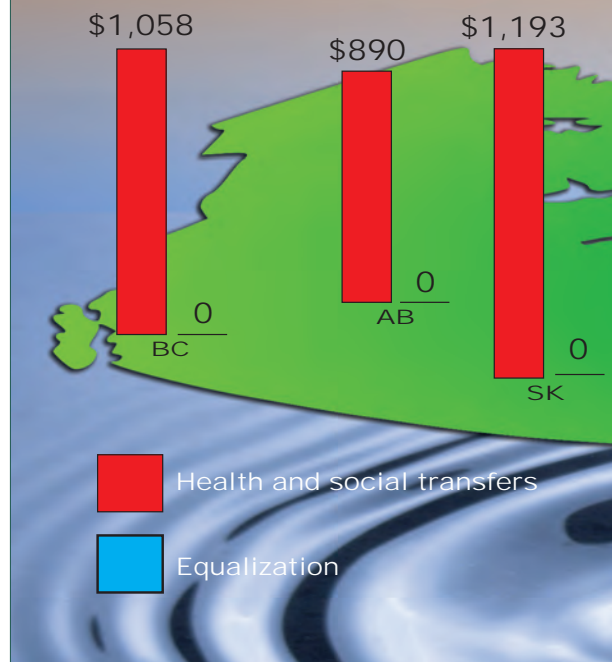
works in simple terms:

1. If your province has a poor economy and its government has less fis-

Equalization Payments Received

Province	1999	2009
British Columbia	\$479,000,000	0
Alberta	0	0
Saskatchewan	\$407,000,000	0
Manitoba	\$970,000,000	\$2,063,000,000
Ontario	0	\$347,000,000
Quebec	\$4,618,000,000	\$8,355,000,000
New Brunswick	\$1,077,000	\$1,689,000,000
Newfoundland	\$1,012,000,000	\$465,000,000
Nova Scotia	\$1,200,000,000	\$1,571,000,000
PEI	\$221,546,000	\$340,000,000
Total	\$8,908,623,000	\$14,830,000,000

Per Capita pa Equalization transfers 200



cal capacity than others, you win.

2. If your province has a strong economy and its government has the ability to pay the bills, you lose.
3. If your province is rolling in non-renewable natural resource revenues, you lose – unless your province is Newfoundland or

Nova Scotia.

With the lonely exceptions of British Columbia and Saskatchewan, every single province that was a recipient of equalization payments in the 1980s is still a recipient today. Certainly that fact should make federal law makers pause and consider the effectiveness of the program.■

If you would like to ask the CTF a question please write, fax or e-mail the CTF at:

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