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The Equalization Quagmire:
Where Do We Go From Here?

by Gary Tompkins

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"Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonable comparable levels of public services at reasonably comparable levels of taxation"
Constitution Act (1982)

"What is disturbing….is that [Saskatchewan's] non-energy equalization entitlements are rising at a much faster pace than are those for any other have-not province….There is a more straightforward way to make this same point: *Saskatchewan is becoming poorer relative to other provinces* ……the full offset of its energy revenues at the hands of the equalization program is, arguably, one of the factors that is leading the province's relative decline in terms of the ranking of provincial disposable incomes. With neighbouring Alberta utilizing its energy revenue bonanza to mount a version of a tax haven, any attempt by Saskatchewan to match any (or all) of these lower tax rates, especially for mobile factors, is fully stymied because of the voracious appetite of the equalization energy clawback." Courchene (2000) p. 9

Introduction

In October 2004, Prime Minister Martin announced an agreement on a new Equalization and Territorial Formula Financing framework that would increase total payments by $33 billion over ten years. The new measures included a minimum funding floor of $10 billion for Equalization in 2004-05 and a growth rate of 3.5% per annum until 2009-10. In addition, an independent panel will be created to advise the government on how the Equalization formula should be changed to define the allocation of support across the provinces. In addition, negotiations are underway with Nova Scotia and Newfoundland and Labrador with respect to how those provinces can "keep" their resource revenues – *i.e.* reduce or eliminate the clawback of Equalization resulting from increased resource revenues – to avoid the situation described by Courchene in the quotation above.

The difficulty with these changes is that they represent a significant move away from the original goals of the program. Equalization has been in place in one form or another since Confederation and first appeared as a formal formula-based program in 1957. It was designed to be a provincial government welfare program that attempted to equalize, or at least make comparable, the per capita fiscal capacity of all Canadian provinces. The establishment of a guaranteed floor with guaranteed indexing of the total Equalization "budget" is not consistent

with the fact that there has been a reduction in inter-provincial disparities in recent years. In other words, if the need for welfare decreases, why are we agreeing to a minimum level of support payments? If Atlantic offshore resource revenues reduce or eliminate fiscal disparities, why should the Equalization payments keep flowing?

The arguments in favour of the changes can be classified into four different categories:

- Resource revenues and the Equalization standard are inadequate owing to the exclusion of Alberta from the calculation of the standard. The measures represent an indirect or "second-best" approach to dealing with the problem;
- Provinces should be rewarded for developing new revenues, especially those that require significant investment by the provinces;
- A provincial government may have become richer, but the residents have not;
- These measures make up for past injustices such as the Newfoundland – Quebec Churchill Falls hydroelectric contract.

After these changes are implemented, the new Equalization program will be a mix of the old formula-based program, a "macro" program where poor provinces (however defined) receive payments even if the formula does not identify a need for any, and a compensation program for previous injustices. In effect, the changes represent a significant reform of the program without the benefit of an analytical assessment of the program that would identify a better system. In spite of the announcement indicating that an independent expert committee will investigate the program sometime in the future, it seems that the direction of reform has already been established.

Federal-Provincial Transfers in Canada: Theory and History

From the time of Confederation in 1867, federal-provincial transfers have been a key component of Canadian public finance. Canadian fiscal federalism has included a number of programs to combat two problems. The first is known as *fiscal mismatch*, where the program responsibilities of the federal and provincial governments are not aligned with their respective abilities to raise revenues. This problem has most recently been addressed through federal transfer programs such as the Canadian Health Transfer and the Canadian Social Transfer. In theory, these transfers have resulted in the two levels of government cost-sharing for some

provincial program responsibilities that are primarily or exclusively in provincial jurisdiction. In practice, however, the federal government has (arguably) intruded on provincial jurisdictions by attaching conditions to some of the transfers (e.g. the Canada Health Act) or providing direct support of post-secondary education programs through the Millennium Scholarship Fund and the Centres of Excellence programs rather than simply providing resources to the provinces to fund these programs as they see fit. Perhaps with the exception of the Great Depression, fiscal mismatch is of relatively recent vintage, but it is an issue that has become increasingly important as provincial program responsibilities (such as health) have commanded increasing shares of total government program spending.

The second problem has been the presence of persistent inter-provincial disparities in market measures such as GDP per capita that have resulted in disparities among provincial governments in their ability to raise revenues. This problem has been with us since Confederation. In 1867, the newly formed Dominion Government provided three fiscal transfers to the provinces - a lump sum amount to support provincial government programs, a grant of 80 cents per capita (to a maximum of 400,000 people) to all provinces and the federal government's assumption of the debts of former colonies. At the time, these transfers constituted between 80 and 90 per cent of provincial revenues.

It should be noted that most of the transfer programs designed to deal with fiscal mismatch also have the effect of "equalizing" provincial government revenues. Most of the federal-provincial transfers are fixed per capita grants, which carry with them an implicit transfer from richer to poorer provinces. Further, federal programs such as Employment Insurance and the Canada Pension Plan have a similar transfer effect.

The transfer programs evolved and expanded over time. Until 1977, the federal government financially supported post-secondary education, health care and welfare by a system of 100% matching grants. In 1977, these grants were changed to equal per capita block grants (the Established Programs Financing and Canada Assistance Plan) that were to be indexed to the growth rate of Canada's Gross Domestic Product. In 1996, EPF and CAP were replaced with the Canada Health and Social Transfer, which subsequently was split into separate Health and Social transfers.

The other part of the system is the Equalization program. The Equalization program is explicitly designed to deal with inter-provincial disparities in tax (or fiscal) capacity by

establishing a national standard and making transfers from the federal government to those provinces that are below the standard. The program is not an inter-provincial transfer program, however. Such a program would take revenues from "have" provinces for redistribution to the "have-nots". Equalization is funded entirely by the federal government. "Have not" provinces, defined as those with a below average fiscal capacity, receive transfers from the federal government while "have" provinces do not receive payments nor are they assessed negative entitlements that must be forwarded to the federal government. The program equalizes up but not down.

This feature of the Equalization scheme creates three problems for the program, aside from those created by the technical workings of the formula. First, by not equalizing down, the program does not achieve full equalization but rather creates a minimum standard that "have" provinces will exceed. Second, there is a risk that the program might not be fiscally sustainable when there is a significant increase in revenues from a provincial tax base which is not shared by all provinces and from which the federal government receives little or no revenue. Such an increase would substantially increase Equalization entitlements, by increasing the national average of tax revenue while not creating a corresponding increase in federal government revenues to pay for it. For example, most of the changes to the Equalization program that have been made since the first OPEC oil crisis have been a reaction to burgeoning non-renewable resource revenues. These revenues are shared unequally among the provinces, thus increasing fiscal disparities, and do not enhance federal tax revenues proportionately. Finally, the program addresses fiscal capacity rather than fiscal need. Demographic and other differences between provinces may result in varying cost pressures, which might mean that two provinces with the same fiscal capacity may not necessarily be able to offer comparable public services at comparable tax rates.

The Rowell Sirois Commission report, written in 1940, recognized the need for a formula-based program to deal with inter-provincial fiscal disparities. It recommended replacing the existing statutory grant system with a system of national adjustment grants based on fiscal need. The Commission's recommendations were implemented to a degree in the subsequent tax rental agreements, where the federal government agreed to pay the provinces to abandon personal and corporate income taxes. The tax rental agreements contained measures designed to address

differences in fiscal capacity, such as per capita payments and a minimum base grant that increased Prince Edward Island's entitlement.

In 1957, a stand-alone and direct Equalization program was introduced as part of the tax rental agreements.[1] The first program equalized 10% of personal income tax, 9% of corporate income tax, and 50% of estate tax revenues so that the per capita yield would be raised to the average of the then two wealthiest provinces, British Columbia and Ontario. Ontario was the only province not to benefit from the first formula.

In 1962, resource revenues were added to the list of tax bases that were subject to equalization and a national standard was used, where the standard was defined as the average of all ten provinces, rather than the richest two. This standard was known as the Representative National Average Standard (RNAS). This was briefly changed back to a "richest two" standard with resource revenues being removed from the formula. However, those provinces with above average per capita resource revenues had their Equalization entitlements reduced by 50% of revenues in excess of the average.

In 1967, RNAS was re-introduced and made much more comprehensive, expanding the number of tax revenue sources from four to sixteen, although many of the additions resulted from re-definitions of previous tax bases.

The OPEC oil crisis of 1973 led to a significant increase in provincial resource revenues, especially for Alberta, which in turn caused a crisis in the Equalization program. The federal government saw the windfall as potentially budget-breaking. If the RNAS formula remained as it was, resource revenues would be a dominant determinant of Equalization entitlements while the federal government would not share in the windfall. The first adjustment to the formula was an arbitrary division of resource revenues from a "base" (what they were pre-OPEC crisis) and "transitory" (the OPEC windfall). Base revenues were subject to equalization in their entirety but only one third of transitory revenues were included. In 1977, all the transitory distinction was removed from resource revenues but only 50% of resource revenues were subject to equalization.

In 1981, the impact of further oil price increases, even under the amended formula, would have for the first time designated Ontario as a "have not" province. The federal government

[1] For an excellent and detailed history of equalization payments up to the early 1980s, see Thomas J. Courchene, *Equalization Payments: Past Present and Future* Toronto: Ontario Economic Council, 1984.

responded by introducing an ad hoc "personal income override" that effectively excluded Ontario from Equalization entitlements.

During the early 1970s and early 1980s, the provincial and federal governments tried to negotiate a formula-based system that was fiscally sustainable. Among the suggestions were:

1. A "macro" formula, where a limited number of macroeconomic indicators (such as income per capita) would replace the detailed tax base approach;
2. The Representative Ontario Standard (ROS), where Ontario would define the national standard. This proposal had the advantage of simultaneously minimizing the impact of rising oil prices and excluding Ontario;
3. The RNAS – 20 standard, proposed by Saskatchewan, that would maintain the national standard but limit the inclusion of resource revenues to 20 per cent.

A settlement was finally reached that led to the system now in place. The solution to the problem of Alberta resource revenues was simple - exclude Alberta from the computation of the national average. The *quid pro quo* was that in exchange for removing the richest province from the standard, the four Atlantic provinces were removed as well. This was called the Representative Five Province Standard (RFPS) where (now) 34 provincial tax bases are subject to equalization but the "national average" standard is the average of British Columbia, Saskatchewan, Manitoba, Quebec and Ontario.

<u>How does it work?</u>

Both the RNAS and RFPS are fairly simple in construction but their implementation and some of the implications of the formula can be complex. Suppose the personal income tax was the only revenue source to be equalized. The Equalization entitlement could then be expressed by the following formula:

$$EE = t_{NA} \times (BASE_{NA} - BASE_{PROV})$$

where: EE is the per capita Equalization entitlement;
$BASE_{NA}$ is the national average per capita tax base;
$BASE_{PROV}$ is the provincial per capita tax base;
t_{NA} is the national average tax rate on income.

Source: Courchene (2002), p. 4

The actual formula performs the same calculation over 34 different tax bases, summing the positive and negative entitlements. If the total is positive, the province receives that amount from the federal government. If negative, the province receives nothing.

It should be noted that by using the average tax rate, entitlements are based on potential tax capacity (assuming an average tax rate) rather than actual tax revenues. If a province chooses to have tax rates higher or lower than the national average, it will not affect their Equalization entitlement directly, but it may do so indirectly if the rate affects the size of the tax base.

The Economics of Equalization

Economists have debated whether an equalization program can be justified. There are two central arguments supporting the program. The first is based on horizontal equity. Two Canadians equal in every way should have the potential of receiving equal treatment by the public sector, represented by the tax/public goods package they receive from their provincial government. A particular province may choose to have a larger or smaller public sector but it should have the option of treating its citizen in a way equal to the average Canadian. In other words, Canadians in "have not" provinces should not be forced to choose between lower standards of education, health care and other provincial government programs or punitively high tax rates.

The other argument supporting equalization programs is the possibility of inefficient fiscal migration. Suppose that as a result of its resource revenues, Alberta can offer a comparable level of public goods at much lower tax rates than those in other provinces. These lower tax rates are a type of dividend paid by the Alberta government to its residents resulting from higher resource revenues. Alberta may attract people from other provinces not because these workers are more productive in Alberta but rather because a lower wage is more than offset by the migrant receiving a share of the fiscal dividend arising from higher resource revenues. Stated more formally, the equilibrium spatial distribution of workers (assuming competitive labour markets) is characterized by the following equation:

$$MP_A + NFB_A = MP_B + NFB_B$$

where: *MP* refers to the marginal productivity of the worker in provinces A and B. In competitive labour markets, the wage rate paid to workers equals their marginal product;

NFB refers to Net Fiscal Benefit, the net benefit received by workers from the tax/public goods package available in provinces A and B.

Economic efficiency requires $MP_A = MP_B$. If we assume $NFB_A > NFB_B$ (*i.e.* province A offers a better public goods/tax package than does province B), then there will be inefficient levels of migration to province A resulting with an equilibrium distribution of population characterized by $MP_A < MP_B$. The implication of fiscal migration is that there should be an equalization program that eliminates differences in net fiscal benefits so that only efficient migration takes place.[2]

The negative aspects of equalization are similar to problems with any form of welfare program. In theory, the Equalization program replaces any fiscal deficiency on a dollar for dollar basis. This means that provinces have little incentive to address their economic problems by facilitating the development of new tax bases. If a recipient province generates $100 million of additional revenue by developing a new tax base, it will lose almost all of it in lower Equalization entitlements, the exact amount depending on how the formula is applied. Of course, once a province is no longer a recipient province, they are not affected. This problem is exacerbated if the province incurs costs facilitating the development of the new tax base, such as building infrastructure.

Another problem is that provinces may design their tax regimes to take advantage of the Equalization formula, especially if the size of the tax base is sensitive to the tax rate imposed. If a province were to do that, it would impose higher taxes on those tax bases that yield positive Equalization entitlements, since the loss in revenue that would normally occur from the reduction in the tax base would be partially offset by an increased Equalization entitlement arising from the smaller tax base. A final argument against all programs that have either explicit of implicit equalization properties, including programs like Employment Insurance, is that they may discourage individuals from migrating from poor provinces to provinces where they would be more productive.

There is considerable disagreement among economists about the strength of these arguments. Migration studies have had mixed results in identifying net fiscal benefits as a significant determinant of migration flows[3]. Further, differences in resource endowments are not the only sources of net fiscal benefits. If, for example, a province can provide public services at a lower cost than others due to economies of scale, any additional net fiscal benefit arising from

[2] See, for example, Boadway and Flatters (1982).
[3] See, for example, Watson (1986), Winer and Gauthier (1982) and Wilson (2003).

this would not induce inefficient patterns of migration. Similarly, if a province were able to supply public goods and services more efficiently than other provinces, any in-migration resulting from this would not be inefficient. Finally, resource-rich provinces do not issue residents an annual dividend cheque. The net fiscal benefit shows up in the form of lower taxes, better public services and/or heritage funds. It would be difficult for an out-of-province resident contemplating migration to assess the value of the stream of future net fiscal benefits and the associated risk that her individual share may change in the future.

On the other hand, other than some specific cases, there is little evidence that the provinces actively engage in strategic behaviour to take advantage of the Equalization program.[4] One famous example occurred in 1970 when Quebec was in the midst of a protracted strike of liquor board workers. Jacques Parizeau, then finance minister, remarked that the province could afford a long strike since Equalization would make up for any loss of liquor revenues. It was also suggested that the hard bargaining stance taken by Newfoundland over the proposed development at Voisey's Bay was enabled by the fact that the province would derive a minimal net benefit after the Equalization offset.

One implication of the Equalization program is that a reduction in a tax base arising from a deliberate action by a provincial government not only is partially compensated by an increase in that province's Equalization entitlement but also that the Equalization entitlements of all recipient provinces is lowered because the national average tax base is smaller, assuming the province in question forms part of the national standard. In other words, other recipient provinces were penalized by the Quebec liquor strike.

The Need for Change – A Saskatchewan Perspective

In the near future, the federal and provincial governments will be attempting to reach an agreement on how to change the Equalization formula to address the problems that have arisen. Saskatchewan has the much to gain from addressing the deficiencies of the current system – particularly the impact of the Equalization claw-back, the measurement of tax bases and the exclusion of Alberta from the calculation of the Equalization standard. As a recipient province, Saskatchewan has seen its increasing resource revenues completely offset by reductions in its

[4] For example, Cavolic and Day (2003) found that there was no empirical evidence that the equalization system affected provincial growth rates over the period 1961-1998. However, Boessenkool (2002) suggests there is evidence that recipient provinces manipulate tax rates.

Equalization entitlement. The anomalies of the RFPS system have a disproportionately negative effect on the province.

1. The RFPS Standard

The RFPS is, arguably, particularly disadvantageous to the province. The exclusion of Alberta from the standard makes Saskatchewan a resource rich province relative to the other provinces that comprise the national standard used in the Equalization formula. However, since Saskatchewan has its own oil and natural gas sector and Alberta is next door, Alberta is commonly viewed as the province we are competing with to attract oil and natural gas exploration activity and to attract and retain population. For example, the Vicq[5] report emphasized the need for Saskatchewan income tax rates to move closer to Alberta levels. The Saskatchewan government responded to the report by significantly lowering personal and corporate income taxes. Many perceive Alberta to be the standard against which our tax rates, health care system, highways, etc. should be evaluated. Equalization under the RFPS does not address fiscal disparities between Saskatchewan and Alberta.

Another problem arises from being part of the standard. In recent times, Saskatchewan has enjoyed a boom in resource revenues and these have been offset by reductions in the province's Equalization entitlement.[6] This may be tolerable given the possibility of Saskatchewan eventually becoming a "have" province, when it would no longer face the Equalization clawbacks. However, as the oil- and gas-rich member of the national standard, higher Saskatchewan tax revenues also raise the average standard, lengthening the transition to "have" status. It is ironic that while Saskatchewan has derived little benefit from its increases in resource revenues, other recipient provinces have benefited since these additional revenues have had the effect of increasing their Equalization entitlements. As well, since resource revenues are both a significant and volatile determinant of Equalization entitlements, the amount Saskatchewan receives can vary dramatically from year to year, making budget forecasting more difficult.

[5] Jack Vicq, Chair, *Final Report of the Saskatchewan Personal Income Tax Review Committee* (Regina: Province of Saskatchewan, 1999)

[6] In 1994, the federal government introduced an amendment that limited the clawback of revenues from Nova Scotia and Newfoundland off-shore oil resources to 70%.

2. Measurement of the Tax Base

The Equalization system imposes common measurement methods when determining the tax base of the provinces, and it does not necessarily use the measurement techniques utilized by provinces. In other words, the tax base assumed to be available to a province in the Equalization formula may not be the same as the tax base assessed and taxed by the province. For many of the thirty-three tax bases, this is not particularly problematic. However, a recent paper (Courchene (2004)) points out there may be a significant problem with respect to the measurement of the resource tax bases.

Economic theory suggests that the tax base associated with a resource base is the economic rent generated by that base and that efficient taxation would extract a share of economic rent while affecting output decisions as little as possible. Economic rent, simply stated, is the difference between the market price of the extracted resource and the cost of extraction. The current Equalization system measures the tax base by the number of units of the resource that are extracted. Clearly, the economic rent available per barrel of oil or cubic foot of natural gas will vary with the quality of the resource (e.g. light vs. heavy oil) and the cost of extraction. Saskatchewan's royalty system relies on auctioning extraction rights to resource companies. In theory, with competitive bidding, this process should extract all rents for the province. However, Courchene's analysis suggests that the per unit method overstates the actual tax base and, as a result, the aggregate average Equalization clawback for resource revenues for FY 2000-01 was 108.4% under an old classification and 93.2% under a new classification.

Summary and Conclusions

As oil prices continue to rise above the US$50 range, Saskatchewan may finally be removed from the list of recipient provinces, and at least in the short term, Equalization will have little direct relevance for the province. However, most analysts believe that the recent increase in oil prices will not be sustainable in the longer term.

The central issue is that the growth in the importance of resource revenues in provincial tax bases, combined with the federal government's lack of access to those revenues and the non-contributory structure of the system, has led to changes in the Equalization system that have moved the system away from the purpose of the program that was enshrined in the *Constitution Act, 1982*. Under the RNAS, the goal of (potentially) comparable levels of public services and

tax rates was compromised to some degree because the system equalizes recipient provinces up to a national average but does not move rich provinces down to the same standard. The exclusion of Alberta in the calculation of the standard under RFPS has compromised the goal even further, especially for a neighbouring province with a similar economy.

The RFPS system only partially addresses the main economic rationale for Equalization, the elimination of differences in net fiscal benefits between provinces. The exclusion of Alberta from the national standard means that Alberta may receive an inefficiently high level of migration attracted by low taxes rates and the Alberta Heritage Fund. This issue is of particular concern to Saskatchewan, given its geographic proximity and its competing demand for specialized labour skills appropriate for the resource sector.

Major reform may prove difficult because of the constitutional impediments to implementing a "true" equalization system. One solution would be a contributory system where have provinces contributed to an equalization fund that distributes revenue to the have-nots. Alternatively, the federal government could continue to be the sole contributor but be given a share a resource revenues to ensure the long-term fiscal sustainability.[7] Neither of these measures is likely to obtain the approval of the provinces, especially the potential donors.

A possible solution might be to scrap the current system and rely instead on a formula based on macroeconomic variables but this would represent a complete dismantling of the current system and is unlikely to occur.[8] It is more plausible that future changes to the system will be of a piecemeal variety, such as:

- the reinstatement of the RNAS system with either a percentage or dollar cap on the resource revenues counted by the program;
- a cap on the clawback rate arising from increased revenues, especially those resulting from the development of a new or larger tax base;
- the introduction of averaging provisions so that Equalization calculations are smoothed over time;
- a reconsideration of how the resource tax bases are calculated so that they better reflect the actual tax base available to provinces.

[7] Gainer and Powrie (1975) suggested that the federal government be entitled to a 30% share of resource revenues, representing approximately the addition revenue it would receive if the implicit income conferred by resource rents were subject to income tax.
[8] Boothe and Hermanutz (1999) propose such a model, designed to replace not only the equalization program but the Canadian Health and Social Transfer (now Canadian Health Transfer and Canadian Social Transfer) as well.

The Equalization system has had a major impact on public services in Canada. Measures of inter-provincial disparities typically show that while differences in private sector economic measures, such as income per capita, unemployment rates, etc. have persisted, there are small disparities in public sector programs such as health care. However, a series of practical adjustments to the Equalization system in Canada has moved it a considerable distance from its original goal and we are now left with a system that does not address the equalization of provincial tax capacity in an effective way. More recently, the Government of Newfoundland and Labrador has demanded that it be allowed to "keep" all of its off-shore oil revenues (i.e. eliminate any clawback) even if the province were to change to a have province. The rationale for this is apparently that the Equalization program should compensate the province for grievances such as the Churchill Bay electricity contract (which gave Quebec most of the economic rents from the project) and the mismanagement of the province's fishery. Even if the grievances are valid, Equalization is not an effective mechanism to deal with those issues.

Recent changes to the program are generally consistent with *ad hoc* "back door" change of the system to a macro formula, where Equalization entitlements go to the provincial governments of relatively poor people, rather than to provincial governments with substandard tax capacity. However, interpersonal redistribution is best effected through the income tax system and social programs such as employment insurance, not the Equalization program. A wiser path would be to allow the Equalization program to address the goals set out for it and to reform of the system in a way that would improve its effectiveness in achieving these important goals.

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Appendix – Equalization Statistics

Figure 1
Per Capita Equalization (Fiscal Year 2000-01)

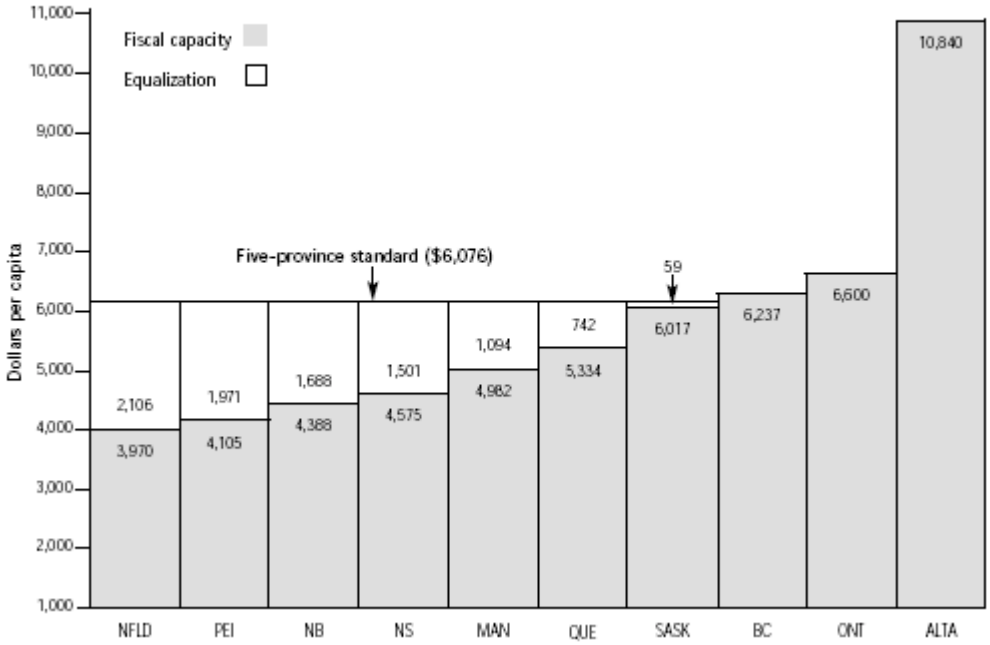

Table 1 Equalization Entitlements – (2004-05)

($ millions)

PEI	NB	NL	NS	MB	QC	SK	BC	Total
246	1,155	726	1,146	1,341	3,761	462	824	9,660
($ per capita)								
1,776	1,537	1,398	1,223	1,147	500	464	197	-

Source: Government of Canada Department of Finance

Table 2 Total Equalization Entitlements (1993-94 to 2004-05)

Year	PEI	NB	NL	NS	MB	QC	SK	BC	Canada
1993-94	175	835	900	889	901	3,878	486	0	8,063
1994-95	192	927	958	1,065	1,085	3,965	413	0	8,607
1995-96	192	876	932	1,137	1,051	4,307	264	0	8,759
1996-97	208	1,019	1,030	1,182	1,126	4,169	224	0	8,959
1997-98	238	1,112	1,093	1,302	1,053	4,745	196	0	9,738
1998-99	238	1,112	1,068	1,221	1,092	4,394	477	0	9,602
1999-00	255	1,183	1,169	1,290	1,219	5,280	379	125	10,900
2000-01	269	1,260	1,112	1,404	1,314	5,380	208	0	10,948
2001-02	256	1,190	1,056	1,316	1,347	4,690	238	195	10,290
2002-03	236	1,111	862	1,111	1,283	3,985	145	0	8,733
2003-04	235	1,125	753	1,120	1,289	3,802	122	332	8,779
2004-05*	246	1,155	726	1,146	1,341	3,761	462	824	9,660

* These figures include proposed additional payments to Equalization-receiving provinces announced in Budget 2004, subject to passage of authorizing legislation.

Source: Government of Canada, Department of Finance

About the Author

Gary N. Tompkins is an Associate Professor of Economics at the University of Regina and was a Visiting Research Scholar at SIPP for the period July 1, 2001 – June 30, 2002. He received his a B.A.(Honours) from Queen's University (Math/Stats and Economics) and his masters and doctoral degrees in Economics from the University of Western Ontario. He has been at the University of Regina since 1982 and has served in various administrative positions at the University, including Department Head (Economics, 1991-1996 and 2004 to present). He currently is Chair of the Academic and Administrative Benefits Committee and Co-Chair of the Joint Investment Committee (University pension plan). His research interests include pension regulation, aboriginal economics, and public finance. He has taught courses in microeconomic theory, urban and regional economics, mathematical economics, econometrics and public finance at the University of Regina. He has extensive consulting experience with private firms as well as governments at the provincial, territorial and federal level.

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