

Cheques and Balances

The Finances of the Canadian Federation

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Mowat Centre

ONTARIO'S VOICE ON PUBLIC POLICY

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Executive Summary

Canada has a deeply entrenched system of inter-regional redistribution. The system is designed to ensure that Canadians have comparable access to public services, regardless of where they live in the country. Because Canada is a federation and provinces are responsible for delivering most public services, achieving the goal of equitable access to programs and services requires a mix of federal transfers, both to provincial governments and to individuals, and direct federal spending. In theory, this permits equal access to public services across the country while maintaining the autonomy of provinces to manage their own programs.

It is to be expected that the taxpayers of different provinces will send different amounts of tax revenue to the federal government and that the federal government will return to different provinces—in the form of transfers and spending—different amounts. It would be expected that all provinces would see a “gap” between their contributions and receipts. This is the natural product of a system that includes policies of progressive taxation and redistributive spending. We would expect that the residents of more prosperous provinces would contribute more and receive less. This would be consistent with the principle that the federal government has a responsibility in its own programs and its relationships with provincial governments to ensure that all Canadians have access to comparable levels of service.

Throughout most of the post-war period in Canada, these mechanisms of federal spending and transfers led to this redistribution from more prosperous provinces to less prosperous regions. Ontario, Alberta and British Columbia residents would usually contribute more than they received, while residents of other provinces would receive more than they contributed. This was principle-based and a reflection of Canadians’ commitment to equality of opportunity and a desire to have comparable access to government programs and public services across the country.

Over the past decade, however, this principle-based redistribution is occurring less, with distinctive anomalies arising.

In our report last year¹, we showed how Ontario continues to redistribute funds to other regions of the country, even though it is no longer more prosperous than the Canadian average. In the present report, we calculate the fiscal gaps for

all provinces. We find that in addition to Ontario, Saskatchewan and Newfoundland and Labrador are also outliers. In contrast to Ontario, they continue to be net beneficiaries of federal spending and transfer programs, while being more prosperous than average.

The explanation for these anomalies is clear: Saskatchewan and Newfoundland and Labrador have surging resource royalties, while Ontario does not. Because our system of fiscal federalism deals with resource revenue differently than it deals with other sources of revenue (i.e., the federal government has no access to revenue from these exclusively provincial assets, and only a portion of them are included in calculations of fiscal capacity), the major driver of current fiscal imbalances between provinces is not properly addressed in current policies. The result is Ontario—with below average fiscal capacity—supporting other provinces through inter-regional redistribution, while Saskatchewan and Newfoundland and Labrador—with above average fiscal capacity—are net beneficiaries of inter-regional redistribution.

The major driver of current fiscal imbalances between provinces is not properly addressed in current policies

This is not sustainable. Ontario spends less per capita than all other provinces, taxes at rates comparable to the national average, and yet has the highest deficit per capita in the country. The functioning of fiscal federalism contributes to Ontario’s deficit.

Our analysis suggests that while federal *revenue collection* is largely principle-driven and consistent across the country, federal *spending* patterns are not and help explain the continuing fiscal gap experienced by Ontarians.

The conclusions are simple. First, a reform of the Equalization program is necessary to better account for the major contributor to growing horizontal inequities in the country—the uneven distribution of natural resource revenue. Second, the federal government should adjust its spending patterns on major items—including labour market training, housing and infrastructure—many of which continue to have built-in allocation formulae which presume that Ontario is more prosperous than other provinces and less in need of federal spending.

¹ See: Zon, Noah. *Filling the Gap: Measuring Ontario's Balance with the Federation*. http://mowatcentre.ca/wp-content/uploads/publications/62_filling_the_gap.pdf

Introduction

Although provincial and municipal governments are responsible for delivering most of the core public services that Canadians rely on, Canadians continue to send the majority of their income taxes to the federal government. This revenue funds federal programs, as well as transfers to individuals and to provincial, territorial and local governments.

Canadians do not expect that the residents of each province will see the federal government return exactly what they collect there. A natural product of taxing progressively and spending according to need is that more revenue will be collected in wealthier provinces and more spending will go to less prosperous provinces. This is what has generally happened throughout the federation's history and public opinion surveys have consistently indicated strong support for the principles of equalization.

Canadians also expect that federal transfers and spending decisions will be made in a transparent manner and consistent with clearly articulated principles.² But today in Canada, these expectations are not being met. As a forthcoming Mowat Centre publication points out, there are a large number of variations from principle in allocation formulae that deprive residents in some provinces of comparable access to important public services.³ Too often, these deviations from principle are not transparent, with no justification provided by the federal government.

The result of these deviations is that Ontario continues to be a net fiscal contributor to the federation, despite having below average fiscal capacity (the measure used by the federal government to determine eligibility for Equalization payments). A 2013 Mowat Note calculated the balance between what Ontarians paid to the federal government and what the federal government spent in, and transferred to, the province. One would expect that a province which qualifies to receive Equalization payments to improve its fiscal capacity would be a net beneficiary. Instead, we found that Ontarians continued to make a net contribution of between \$9.7 and \$12.5 billion, depending on the methodology used and based on the latest available data. (The slightly different methodology used in this report finds a \$9.1 billion gap).⁴

This *Mowat Note* updates and expands upon that analysis by examining the national picture. The purpose of this *Note* is to document how fiscal federalism has failed to keep pace with the macroeconomic realities of the country. We will see that current fiscal federalism rules are hurting Ontarians. We will also see that the idea that there are two groups of provinces—“have” and “have not”, with the former more prosperous and supporting the other—does not describe current reality. We will see that the driving force behind the growing fiscal imbalances in the federation is access to natural resource wealth. And we will see that our fiscal federalism framework is not keeping up with this reality.

Inter-regional Redistribution in Canada

Canada's system of redistribution of financial resources between regions has tremendous impacts on the availability and quality of public services. Redistribution takes place in a number of ways.

Redistribution occurs naturally and inevitably because the federal government collects a greater share of revenue from more prosperous provinces to be used for national purposes. In this way, both equal-per-capita transfers like the Canada Health Transfer and federal transfers to individuals through programs like Old Age Security redistribute significant funds from more to less prosperous regions. Most Canadians would support this form of redistribution as an essential part of our shared citizenship.

Redistribution of funds also takes place in a formal way through the Equalization program. The program is supposed to ensure that all Canadians, regardless of where they live, have comparable access to social programs and public services. The program has been an important foundation of federalism and most Canadians support the goal and logic of the program. But significant questions have arisen about its design and whether it is achieving its purpose.

The federal government also makes a variety of spending decisions that have inter-regional redistributive implications. Sometimes these are strategic, sometimes they are random. Sometimes the redistributive aspects are conscious—like in the funding of regional development agencies—sometimes they are not.

2 Hjartarson, Josh, James Pearce, and Matthew Mendelsohn. Nov 2010. A Report Card on Canada's Fiscal Arrangements. http://mowatcentre.ca/wp-content/uploads/publications/12_a_report_card_on_canada.pdf

3 *Slicing the Pie: Principles for Allocating Transfer Payments in the Canadian Federation* will be released in Spring 2014.

4 See: Zon, Noah. *Filling the Gap: Measuring Ontario's Balance with the Federation*. http://mowatcentre.ca/wp-content/uploads/publications/62_filling_the_gap.pdf

Due to the complexity of this system—and the myriad decisions that are made, invisible to the public—the Mowat Centre has attempted to calculate one summary number that synthesizes the net result of all of these decisions. How much is collected in each province by the federal government and how much is returned? As we have said, a properly functioning federation would see significant imbalances, with more prosperous regions experiencing a greater outflow of fiscal resources and less prosperous ones seeing a greater inflow. That would be consistent with expectations, with the equalization principle and would evolve over time with provinces’ changing fiscal situations. What we find instead is a system that is particularly punitive to Ontario.

The net balance of these inflows and outflows from any given province is very difficult for Canadians to assess, and while the information available is imperfect, we use a methodology that we believe to be the best available.⁵ Public opinion research from Environics shows that a significant plurality of Canadians in all regions of the country believe that their province gets back less from the federal government than it pays in.⁶ As our calculations show, in most cases those beliefs do not match reality.

Fiscal Gaps by Province

In last year’s *Mowat Note*, we provided an estimate and analysis of the significant annual net contribution that Ontarians make to their federal government each year. In the active public debate that followed the release of that report, we heard from many people interested in what the analysis would show if it were applied to other provinces.

In order to provide that national perspective, this *Mowat Note* provides the fiscal gap for each province. Our calculations continue to rely on the same data and we use a balanced budget approach to control for variations in the size of the gap driven by the federal government’s surplus or deficit position (see Appendix for more details). This national approach also includes a slight refinement from last year’s analysis as it nets out the money spent by the federal government outside of Canada in areas such as foreign aid and the foreign service, which serves to decrease the size of provincial gaps in all provinces.

In addition to Ontario, we find that the residents of Alberta and British Columbia are also net contributors to the

federation. The residents of those provinces see a gap of roughly \$20 billion and \$3 billion respectively between what they pay and what their provinces receive back from the federal government. Ontario, by comparison sees a \$9 billion gap.⁷ All the other provinces are *net beneficiaries*, with inflows from federal transfers and spending exceeding the money raised by the federal government in those provinces (see Figure 1 below).⁸

FIGURE 1
Fiscal Gap by Province

PROVINCE	FISCAL GAP (2009-10) IN \$ PER CAPITA	FISCAL GAP (2009-10) IN BILLIONS (\$)
AB	\$5,518	20.3
BC	\$702	3.1
ON	\$701	9.1
SK	(\$610)	(0.6)
QC	(\$1,089)	(8.5)
NL	(\$4,572)	(2.4)
MB	(\$4,906)	(5.9)
NB	(\$6,067)	(4.5)
NS	(\$7,196)	(6.8)
PEI	(\$10,007)	(1.4)

Source: Statistics Canada, *Provincial and Territorial Economic Accounts: Data Tables*; Mowat Centre calculations.

As we have indicated, we do not expect—nor would Canadians support—a zero balance for all provinces. Some provinces are wealthier than others, and their residents will naturally contribute more than average to federal revenues. Are the patterns seen in Figure 1 justified on this basis?

5 And it has been made more difficult by the federal government’s decision to stop publishing the necessary data through the Provincial Economic Accounts. The last year available is 2009-10.

6 Environics Institute, 2012. pg. 26.

7 The difference between this figure and the \$11 billion figure in the 2013 Mowat report reflects the netting out of the federal government’s spending internationally, which includes bilateral development aid, contributions to international organizations like the United Nations and International Monetary Fund, and spending for Canadian operations abroad such as diplomatic missions and immigration officers.

8 While the territories are also net beneficiaries, this situation is to be expected given their unique circumstances. As a result, we have not included them in this analysis.

What is Fiscal Capacity?

Fiscal capacity is the indicator of a provincial government's ability to raise revenue that is used by the federal government to determine whether the province qualifies to receive Equalization payments, and if so, how much.

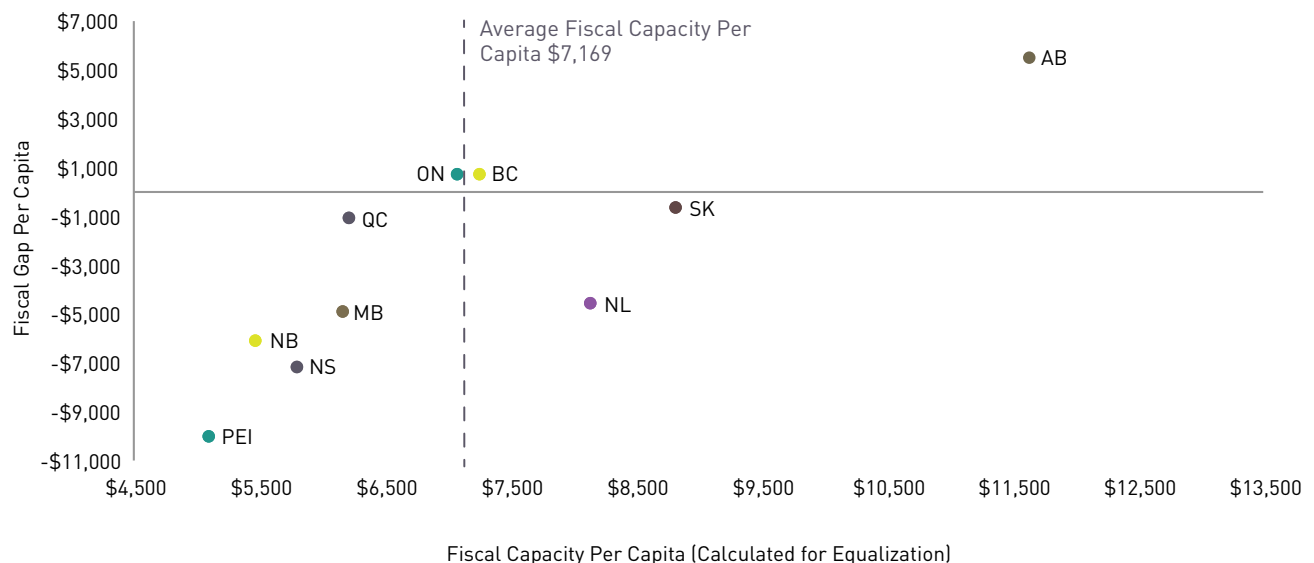
- » Rather than a direct measurement of the amount of revenue a province collected, the fiscal capacity calculation shows the revenue that a province could theoretically collect on a per capita basis if it had the national average rate of tax. This calculation includes five types of taxation (or "tax bases"): personal income tax, business income tax, consumption tax (e.g., PST or HST), property tax and natural resource revenue (see below). This hypothetical scenario for measuring fiscal capacity at national average rates is often called the "Representative Tax System."
- » Natural resources are treated differently than the other four tax bases considered for fiscal capacity in two main ways. First, only 50% of resource revenue is included in the calculation. Secondly, instead of the representative tax system, they are calculated based on actual revenue.

For some provinces, patterns of redistribution match expectations. The three Maritime provinces, Manitoba and Quebec all have below average fiscal capacity—the key measure used in Canadian fiscal federalism to calculate which provinces are more prosperous at any given time—and are net beneficiaries of federal spending. For these provinces, the system is largely working as it should.

Likewise, Alberta's fiscal capacity is significantly above the national average. In fact, its ability to provide public services at comparable rates of taxation is in the order of twice that of the Maritimes, Manitoba and Quebec. So it is not surprising that the residents of Alberta are very large net contributors to the federation, and this too suggests that the system is working as it should.

For Ontario, however, expectations are not met. Ontario is the only province with below average fiscal capacity that makes a net fiscal contribution. This runs counter to most people's expectations of what it means to be an Equalization-receiving province. Popular commentary about Ontario being a "have not" or being "supported financially by other provinces" suggests that most observers would be surprised that Ontario continues to have a negative fiscal gap with the federal government and the rest of the country.

FIGURE 2
Fiscal Gap and Fiscal Capacity by Province 2009-10 (At 50% Natural Resources)



Source: CANSIM tables; Mowat Centre calculations

Ontario is in the anomalous situation of having below average fiscal capacity and being made worse off on a net basis by the Equalization program.

On the other hand, Saskatchewan and Newfoundland and Labrador both continue to be net beneficiaries of inter-regional distribution, while having above average fiscal capacity.

In recent years, differences in provincial access to natural resource revenue have been the major driver of growing divergences in provincial fiscal capacity.⁹ As Figure 3 shows, the three provinces where natural resources play the largest role in government finances—Saskatchewan, Alberta and Newfoundland and Labrador—now have the highest fiscal capacity in the country. Although it has been common for the media to talk about a two-speed economy in Canada right now—those provinces with large natural resource royalties growing at a much quicker pace than those without—the implications of this on fiscal transfers has not adequately been examined.

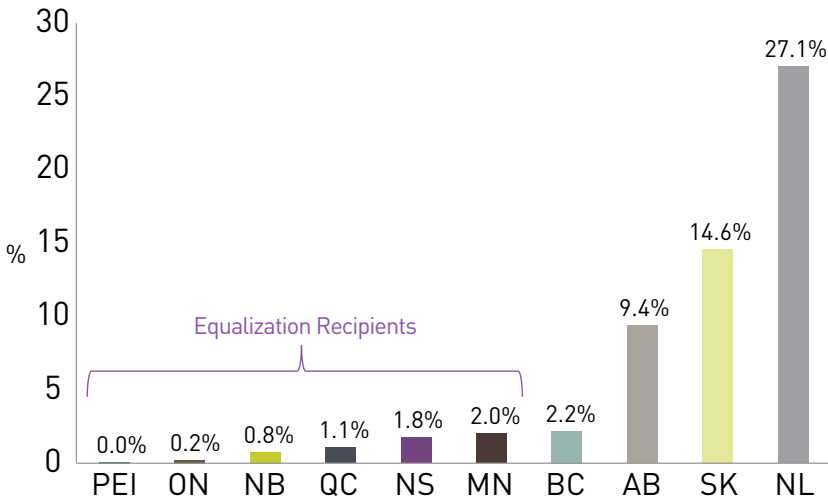
Today in Canada, qualifying for Equalization has much more to do with whether or not a province has natural resources rather than economic policy decisions taken by provincial governments.

It should also be noted that the numbers presented in this report—and the numbers used by Finance Canada—actually systematically *underestimate* the extent of differences in fiscal capacity that can be explained by natural resources. Finance Canada’s measurement of fiscal capacity in Canada only takes into account 50% of provincial natural resource revenue. We have replicated this choice in the presentation of our data to avoid confusion, but if we had included 100% of provincial natural resource revenue, the differences between resource-rich Alberta, Saskatchewan and Newfoundland and Labrador and the rest of the provinces would be even more stark.

The Equalization program was not designed to make up for the growing disparity between provinces with and without an abundance of natural resource revenue. This in part explains why Ontario is in the anomalous situation of having below average fiscal capacity and being made worse off on a net basis by the Equalization program.

Equalization, however, is only a small part of the story. The equally important part of the explanation for fiscal gaps that make no sense based on reasonable expectations of equity is the pattern of federal decisions on program spending and some transfers.

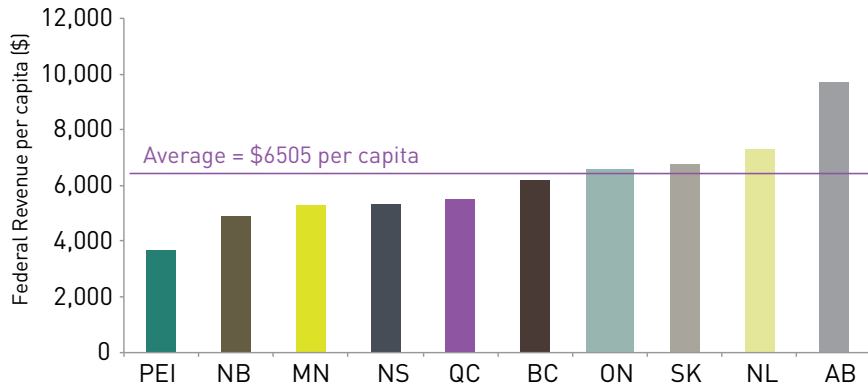
FIGURE 3
Percentage of fiscal capacity that is natural resource based 2009-10 (at 50% Natural Resources)



Source: CANSIM tables; Mowat Centre calculations

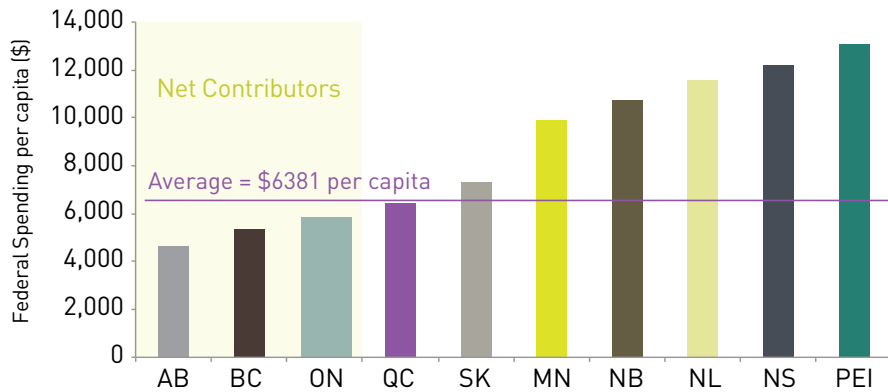
9 See Government of Manitoba, 2012. Budget Paper D: Update on Major Transfer Arrangements. pg. D5 http://www.gov.mb.ca/finance/budget12/papers/fiscal_arrangements.pdf

FIGURE 4
Federal Revenue Raised in Each Province 2009-10



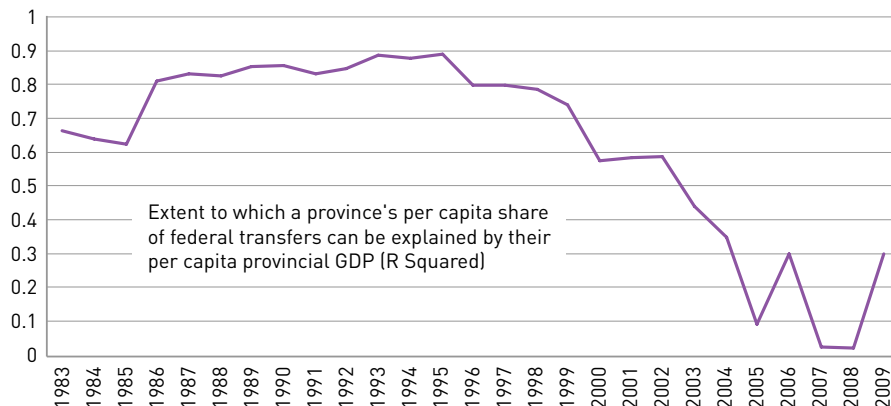
Source: Statistics Canada, *Provincial and Territorial Economic Accounts: Data Tables*

FIGURE 5
Federal Spending by Province 2009-10



Source: Statistics Canada, *Provincial and Territorial Economic Accounts: Data Tables*

FIGURE 6
Equity in the Treatment of Provinces in Fiscal Arrangements: 1983-2009



Source: Michael Mendelson, 2012⁹

The impact of federal spending decisions in driving the fiscal gap is made clear when we compare, in Figures 4 and 5 below, the relative balance of federal revenue and expenditures by province.

For some provinces the fiscal transfer system is working as it should—residents of wealthier provinces contribute more in revenue and receive less support in spending from the federal government. However, there are some glaring exceptions that indicate the system has not kept pace with changes in Canada’s fiscal landscape, resulting in unfair treatment for some Canadians, particularly those who reside in Ontario.

Principled redistribution in the Canadian federation has been decreasing over the last decade. This decline in equity can be seen in Figure 6, which looks at the extent to which a province’s fiscal transfers can be explained by its provincial GDP. The sharp decline since the mid-90s is a reflection of a number of factors, including the continued re-distribution away from Ontario during a period of relative decline in the province’s fiscal capacity.

10 Mendelson, M. 2012. “Is Canada Still a Fiscal Union?”. Caledon Institute of Social Policy. <http://www.caledoninst.org/Publications/PDF/998ENG.pdf>. Calculations based on Statistics Canada estimates of population and provincial economic accounts.

A few things can be drawn from these Figures:

- » Ontario, and to a lesser extent British Columbia, are outliers. Ontario is the only province whose residents contribute greater than average revenue to the federal coffer while heavily below average fiscal capacity. On the spending side, Ontarians receive significantly below average federal spending per capita. Despite a lack of natural resource wealth, Ontarians contribute slightly more than their share, but receive far less than their share in return—all at a time when the province has below average fiscal capacity. Depending on the evolution of their economies and the national economy, British Columbia and Ontario may both face similar circumstances in upcoming years.
- » While Newfoundland and Labrador and Saskatchewan have substantial natural resource revenue, and actually contribute at an above average rate to federal revenue, their contributions are outweighed by the degree to which federal spending and transfers continue to support these two provinces, largely as a result of historical patterns in the allocation of program spending to provide disproportionate support to less prosperous provinces. While these provinces do not receive Equalization payments, they remain net beneficiaries.
- » Manitoba, Nova Scotia, New Brunswick and Prince Edward Island are net beneficiaries of federal fiscal flows. These relatively less-wealthy provinces receive a greater share of federal spending and transfers, while contributing proportionally less. This fits expected patterns of redistribution in the federation and is largely consistent with principle-based expectations.
- » Quebec is also a significant recipient of federal redistributive spending. This is not, however, because Quebec receives an inordinate share of federal spending. The fiscal benefit received by Quebec is due to the lower share of federal revenue collected in Quebec, which is consistent with its below average fiscal capacity.

These federal allocation decisions—in areas like Employment Insurance, labour market training, housing and infrastructure—have real-life implications for Ontarians.

How provinces fare under Canada's system of fiscal federalism is hardly a logical or consistent response to a province's relative fiscal position. For many provinces—Alberta, Quebec, Manitoba and the Maritimes—the system appears to be consistent with expectations about how the federal government should go about fulfilling its commitment to providing provincial governments with comparable levels of fiscal capacity to deliver programs and services to Canadians across the country. But for others—Ontario, Saskatchewan and Newfoundland and Labrador—the system produces the perverse effect of shifting funds from provinces with less fiscal capacity to those with more.

There is no underlying policy rationale for these outcomes. Instead they result from two distinct phenomena that cannot be justified based on principle or evidence. First, Canada has an Equalization system that cannot respond to contemporary patterns of horizontal fiscal imbalances driven by differential access to natural resource revenue. And second, we have legacies of federal spending and program decisions that presume Ontario needs less federal spending.

These federal allocation decisions—in areas like Employment Insurance, labour market training, housing and infrastructure—have real-life implications for Ontarians. Current federal spending in these areas reflects previous conditions rather than current need or population size. These gaps in federal contributions mean that provincial and municipal governments have to do more to pick up the slack in Ontario than in other provinces—or risk seeing their residents enjoy fewer public services than Canadians elsewhere. Currently, Ontario has the largest per capita deficit yet spends less per capita on just about every public service compared to other provinces (tied for last with PEI).¹¹

¹¹ Matthew Mendelsohn. 2012. Back to Basics: The Future of the Fiscal Arrangements. Mowat Centre. http://mowatcentre.ca/wp-content/uploads/publications/58_back_to_basics_future.pdf

Conclusion

The fact that Ontarians have usually contributed more to the federation than they receive back in programs and services has been well-established and is widely known. Historically, this redistribution has been consistent with the commitments in Canada to inter-regional redistribution and equality of opportunity and citizenship.

But this paper has highlighted a number of less well-known facts.

Despite Ontario now having lower than average fiscal capacity when compared to the rest of the country, it remains a net contributor. This is not well-known, as many political leaders and commentators continue to repeat demonstrably false statements about “Ontario’s status as a ‘have not’ ward of the federal government,”¹² or that “Newfoundland ... is today a have province that subsidizes the rest of Canada”.¹³ These statements are understandable misinterpretations of the fact that Ontario receives Equalization while Newfoundland and Labrador does not, but they are simply not true.

Based on the most recently available data, other provinces—despite having above average fiscal capacity—remain net recipients of federal redistribution, despite no longer requiring it. This is due to legacy federal spending formulae which continue to contain long-outdated assumptions about which provinces are in greater need of federal support, and an outdated Equalization program that cannot respond to inter-provincial fiscal capacity gaps created by huge differences in access to natural resource revenue.

Restructuring the Equalization program and updating federal spending decisions and allocation formulae so that they are more principle-based are clearly overdue.¹⁴ And to ensure these steps can be undertaken in a transparent manner, the federal government should again begin reporting in the Provincial Economic Accounts its own spending and revenue by province, which it stopped doing in 2009.

12 Reynolds, Neil. 02 Apr, 2012. “In Ontario, ‘have not’ means have a lot”. *The Globe and Mail*. <http://www.theglobeandmail.com/report-on-business/rob-commentary/in-ontario-have-not-means-have-a-lot/article4097489/#dashboard/follows/>

13 Solomon, Lawrence. 20 Mar, 2014. “Canada Needs Quebec”. *The National Post*. <http://opinion.financialpost.com/2014/03/20/lawrence-solomon-canada-needs-quebec/>

14 A forthcoming Mowat Centre paper will look more closely at these allocation approaches.



Appendix

Methodology: Calculating provincial fiscal balance with the federation

The ‘gap’ number is the fiscal balance with the federal government for each province, reflecting the difference between federal revenue collected from each province and the funds returned to each province by the federal government through spending and transfers.

The Mowat Centre calculated the balances using a *balanced budget approach* in order to control for variations in the size of the gap driven by swings in the size of the federal surplus or deficit. For example, a large federal surplus could create an impression that all provinces are contributing more than they are getting back, while a large deficit could create the opposite impression. That methodology produced two estimates of the gap (\$9.7 and \$12.5 billion) depending on whether we balanced the revenue side or the spending side, which we averaged and reported as an estimated \$11.1 billion gap.

In an additional refinement to our earlier methodology, our new calculations in this paper exclude the funds that the federal government spends or transfers outside of Canada (including development aid, foreign service offices, etc.). This produces a more balanced comparison between provinces, as it would be impossible to attribute the benefit of international spending appropriately on a per capita basis. This new methodology produces an estimated 2009-10 gap for Ontario of \$9.1 billion.

To negate the effect of deficits on the calculation, estimates of the gap can be “balanced” in one of two ways: by adjusting revenue upwards to match total spending, or by decreasing program spending to match revenues. Mowat’s assessment takes an average of these two calculations for each province.¹⁵

Other reports have used slightly different approaches to calculate the fiscal gap, including the Commission on the Reform of Ontario’s Public Services¹⁶ and the Institute for Competitiveness and Prosperity.¹⁷ These produced similar results.

Statistics Canada has not published data tables on federal revenue and expenditures by provinces (the Provincial Economic Accounts) since 2010 (the 2009-10 fiscal year). In the absence of new information, all of our calculations are based on that year’s numbers. Going forward, we would strongly encourage Statistics Canada to return to publishing annual figures on federal revenue and expenditure by province, including revising figures backwards as needed to provide a consistent and comparable time series. While Statistics Canada has noted in the past that the Provincial Economic Accounts alone do not provide a complete picture of the distribution of benefits of federal spending,¹⁸ they remain the best indicator available and are growing increasingly out of date.

All data to calculate the gap comes from Finance Canada and Statistics Canada.

¹⁵ For all calculations, each province’s “share” of federal spending on debt interest is set at the respective province’s share of Canada’s population in 2009.

¹⁶ Commission on the Reform of Ontario’s Public Services, 2012. <http://www.fin.gov.on.ca/en/reformcommission/>

¹⁷ Institute for Competitiveness and Prosperity. May 2013. *Making Sense of Public Dollars: Ontario government revenue, spending and debt*. Working Paper 16. http://www.competeprosper.ca/uploads/ICAP132_WP16_Final.pdf

¹⁸ West, S. Feb 2007. “Federal Government Revenue and Spending by Province: A Scorecard of Winners and Losers in Confederation?” *Canadian Economic Observer* no. 11-010.

FIGURE 8
Fiscal Gap 2009-10 Calculations Tables (in Billions)

BALANCED BUDGET REVENUE SIDE											
	NATIONAL	BC	ALBERTA	SASK	MAN	ON	QC	NB	NS	NL	PEI
FEDERAL PROGRAM SPENDING	247.8	27.0	19.3	8.7	13.6	86.5	57.2	9.2	13.1	6.9	2.0
SHARE (%)		10.9	7.8	3.5	5.5	34.9	23.1	3.7	5.3	2.8	0.8
FEDERAL PUBLIC DEBT INTEREST	29.4	3.9	3.2	0.9	1.1	11.4	6.9	0.6	0.8	0.4	0.1
SHARE (%)		13.1	10.9	3.1	3.6	38.7	23.3	2.2	2.8	1.5	0.4
FEDERAL REVENUE ADJUSTED UPWARDS TO MATCH TOTAL SPENDING	277.2	30.9	22.5	9.6	14.7	97.9	64.1	9.8	14.0	7.4	2.1
SHARE (%)		12.4	16.3	3.2	2.9	39.0	19.7	1.7	2.3	1.7	0.2
NET CONTRIBUTION		3.5	22.6	-0.7	-6.6	10.2	-9.5	-5.1	-7.6	-2.7	-1.5

BALANCED BUDGET SPENDING SIDE											
	NATIONAL	BC	ALBERTA	SASK	MAN	ON	QC	NB	NS	NL	PEI
FEDERAL PROGRAM SPENDING ADJUSTED DOWNWARDS TO MATCH FEDERAL REVENUE	192.5	21.0	15.0	6.7	10.6	67.2	44.5	7.1	10.2	5.4	1.5
SHARE (%)		10.9	7.8	3.5	5.5	34.9	23.1	3.7	5.3	2.8	0.8
FEDERAL PUBLIC DEBT INTEREST	29.4	3.9	3.2	0.9	1.1	11.4	6.9	0.6	0.8	0.4	0.1
SHARE (%)		13.1	10.9	3.1	3.6	38.7	23.3	2.2	2.8	1.5	0.4
FEDERAL REVENUE	221.9	27.5	36.2	7.1	6.4	86.5	43.7	3.8	5.1	3.8	0.4
SHARE (%)		12.4	16.3	3.2	2.9	39.0	19.7	1.7	2.3	1.7	0.2
NET CONTRIBUTION		2.7	18.0	-0.5	-5.2	8.0	-7.6	-4.0	-5.9	-2.1	-1.2

FISCAL GAP (AVG OF SCENARIOS)									
BC	AB	SASK	MAN	ON	QC	NB	NS	NL	PEI
3.1	20.3	-0.6	-5.9	9.1	-8.5	-4.5	-6.8	-2.4	-1.4

Sources: Statistics Canada, *Provincial and Territorial Economic Accounts: Data Tables*; Statistics Canada, *Table 051-0001-Estimates of population*.

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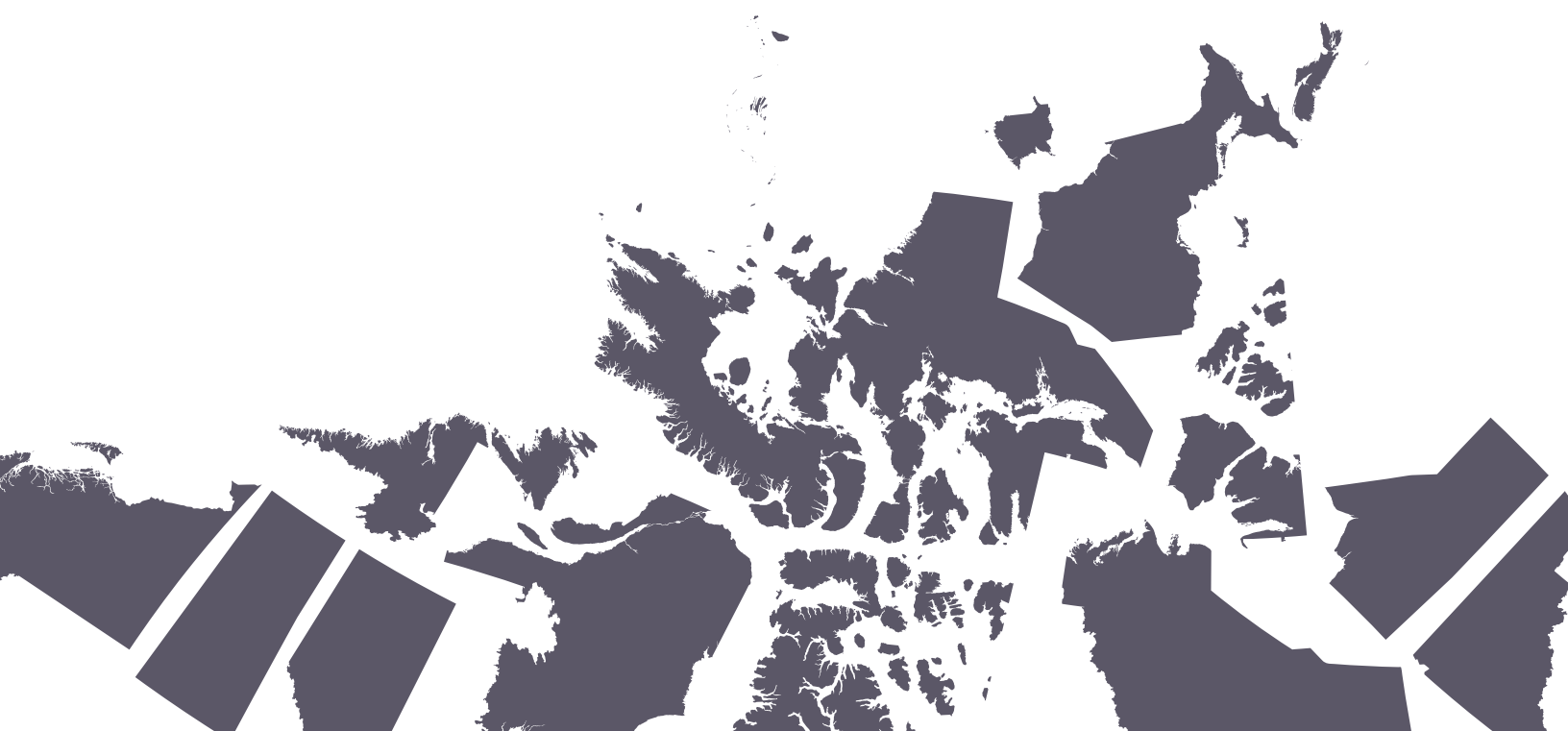
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