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Adaptability, Accountability, and Sustainability: Intergovernmental Fiscal Arrangements in Canada

Chapter Summary

Intergovernmental transfers from the federal government to the provinces and territories have played a significant role in both the federal and provincial budgets. These federal-provincial transfers have been shaped by financial and political responses from governments to political issues, as well as the sovereignty expected by both levels of government. These fiscal arrangements have been supported by the changing role of the provinces as public service providers and the role of the federal government as the main source of transfer payments to both households and individuals. Intergovernmental transfer payments, in their many forms, are now viewed and expected as part of the federal transfer of monies to provinces, territories, and local governments to bridge the gaps between revenue and expenditures.

The history of intergovernmental transfers in Canada is viewed through a description of the major legal, economic, political, and financial issues and concerns of the nineteenth, twentieth, and twenty-first centuries. Historically, intergovernmental transfers have their foundation within the legal foundations established by *The Constitution Act 1867* (formerly *The British North America Act*). This Act allocated responsibility for specific issues to the federal government as well as to each of the provincial governments of that time. As noted by the authors of this chapter, the beginning of the twentieth century marked a significant change in both federal and provincial revenues and expenditures. With two World Wars and financial and economic pressures, Canada and its provinces needed to re-align their finance and taxation policies. The federal government offered the provinces equalization payments in addition to advocating for shared cost subsidies, particularly as the federal government's fiscal problems intensified during the 1990s. At this time, the federal government designed a new combined grant to the provinces for both health care and post-secondary education, which was called the Canada Health and Social Transfer (CHST).

The twenty-first century in Canada has seen a distinct change in the number of intergovernmental transfers to the provinces. As noted in this section, the provinces, territories, and local governments have significantly increased their share of expenditures in public employee

compensation. With the improved financial outlook in Canada at the beginning of the twenty-first century, the federal government re-aligned the CHST to be divided into two specific focuses: the Canada Health Transfer (CHT) and the Canada Social Transfer (CST). Although these two programs were established to support the funding of health care, post-secondary education, child care, social assistance, and other social services, they are regarded as unconditional transfers from the federal government. Other significant transfers are the Equalization and the Territorial Formula Financing (TFF) programs, the Gas Tax Fund, the Goods and Services Tax Rebate for Municipalities, and the Building Canada Plan.

Annotated Weblinks

1) https://www.fin.gc.ca/fedprov/cht-eng.asp

   The *Canada Health Transfer* (CHT) is the largest financial transfer payment from the federal government of Canada to its provinces and territories for funding of health care and is referenced to the *Canada Health Act*.

2) http://www.fin.gc.ca/fedprov/cst-eng.asp.

   The *Canada Social Transfer* (CST) is an intergovernmental transfer from the federal government of Canada to its provinces and territories for post-secondary education and other social services.

3) https://www.fin.gc.ca/access/fedprov-eng.asp**.**

   This is an overview of federal support to the provinces and territories of Canada, including the major federal transfers, such as the Canada Health Transfer, the Canada Social Transfer, and the Equalization and Territorial Formula Financing models for each of the provinces and territories in Canada.