

Equalization Payment Changes - 2008

The federal government is seeking to slow down the growth of payments under Canada's equalization program. Finance Minister Jim Flaherty recently stated that equalization has of late been growing at an unsustainable 15 percent per year, saying "We need to curtail the growth, limit the growth of equalization over time ... because it's not sustainable over time."^[1] Flaherty reiterated that the federal government is seeking to set caps on equalization payments and not change the formula for determining such payments. The growth of payments would be tied to the GDP growth of the province.^[2]

The news comes at the same time as it was announced that Ontario will receive equalization payments as a "have not" province for the first time in the history of the equalization program.^[3] Next year, Ontario is expected to receive \$347 million of the \$14 billion program.

Equalization is a federal government program, established in the 1950's, which attempts to "equalize" disparities among provincial treasuries. The principles underlying the program are recognized in section 36(2) the *Constitution Act, 1982*. The program's purpose is to maintain satisfactory levels of provincial government public services in poorer provinces. Provinces qualify for payments when they fall below a national standard of fiscal well being. Québec currently receives over \$8 billion in payments. Alberta, British Columbia, and Saskatchewan, and for the first time Newfoundland and Labrador, are currently considered too wealthy to receive any equalization payments.

^[1]Reuters, "[Canada to limit growth of payments to provinces](#)"(30 October 2008).

^[2]Lee Greenberg, "Ontario officially a 'have-not', to get \$337M in equalization"*Ottawa Citizen* (4 November 2008).

^[3]*Ibid*.