REPORT OF THE COUNCIL OF THE FEDERATION WORKING GROUP ON FISCAL ARRANGEMENTS

ASSESSMENT OF THE FISCAL IMPACT OF THE CURRENT FEDERAL FISCAL PROPOSALS

MAIN REPORT

JULY 2012

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Summary of Major Findings

The funding parameters for major transfer programs announced by the federal government on December 19th, 2011 will improve the medium and long-term fiscal prospects for the federal government. However, the amount of federal support associated with the announcement has made the provincial/territorial fiscal situation less sustainable and will result in a declining federal share of funding for provincial/territorial health care and other social programs.

To estimate the fiscal impact on provinces and territories, the Working Group on Fiscal Arrangements developed projections of major transfer entitlements based on the December 19th federal announcement and a number of alternative scenarios. See full report for details.

The fiscal impacts of the December 19th announcement will be as a result of:

- The lower CHT growth rate beginning in 2017/18 (from 6% to nominal GDP growth);
- Limited protection being provided for the move to equal per capita CHT cash in 2014/15;
- The extension of the "caps" on the Equalization Program until at least 2018/19.

Although CHT base funding will not increase as a result of the move to per capita CHT cash in 2014/15 (i.e. there will be no cost to the federal government beyond the limited protection), the distribution of the CHT will be altered and the impact will not be shared evenly across provinces and territories. *See Appendix 2 for detailed tables with CHT, CST and TFF projections for the individual provinces and territories.*

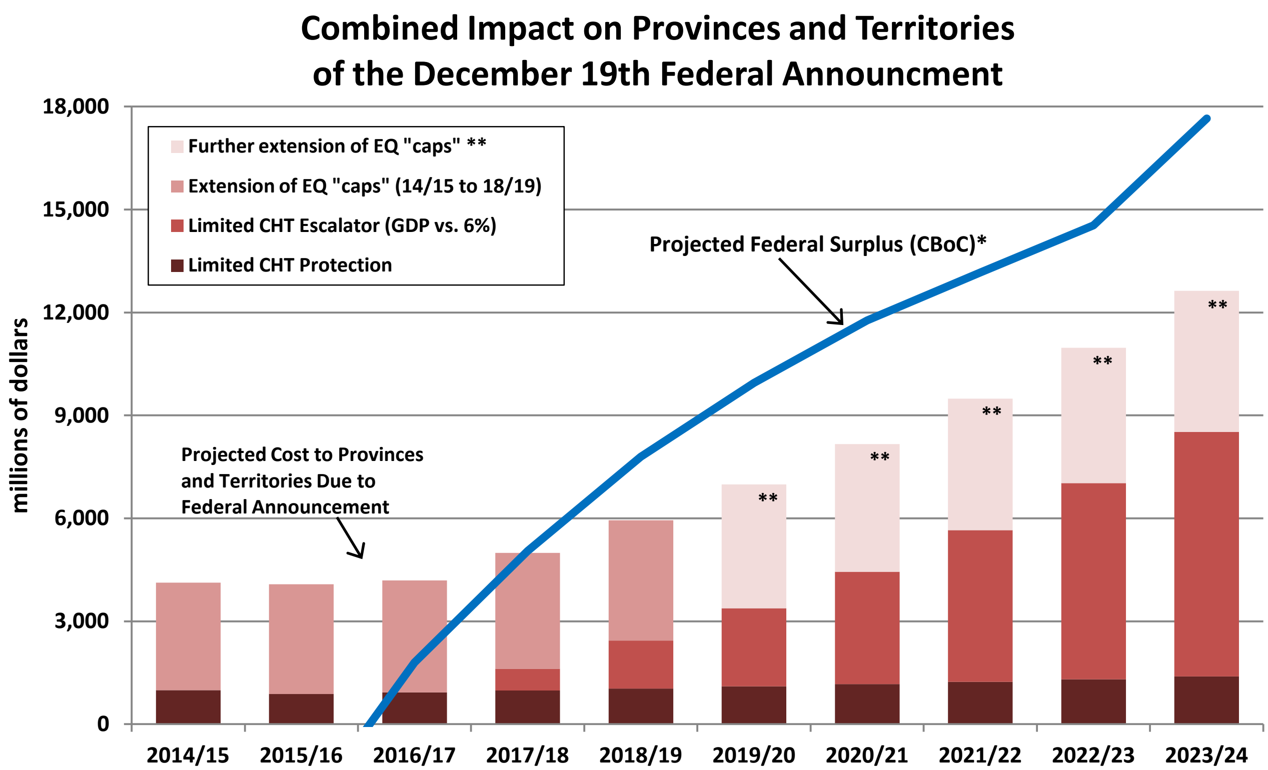
In the medium term, the provinces and territories will (collectively) receive $5.9 billion less in federal funding in 2018/19, due to the December 19th announcement, compared to what they would have received that year under the alternative scenarios considered by the working group. While the CHT and CST renewal will be in effect for ten years, 2018/19 is the last year that a plan is in place for Equalization and TFF.

In the longer-term, the lower CHT growth rate and limited CHT protection will continue to reduce federal transfers compared to the alternative scenarios. Over the ten-year CHT renewal period, the provinces and territories will receive $36 billion less in federal CHT cash than they would have under the 2007 budget plan with a 6 per cent escalator.

The change in the CHT escalator in 2017/18, from 6 per cent to nominal GDP growth (expected to be approximately 4% on average), will reduce transfers by $25 billion, cumulatively, over the CHT renewal period. By 2023/24, the annual reduction in CHT transfers due to the lower escalator will grow to over $7 billion.

The federal government's decision to provide only limited protection to the provinces and territories when the CHT moves to an equal per capita cash allocation in 2014/15 will reduce federal transfers by over $1 billion per year on average (compared to the method by which protection was determined for the change to the CST).

In 2014/15, a gap will remain between what is provided through the Equalization Program and what would be provided if provinces were equalized up to the ten-province standard established by the 2007 Program. Over the five year Equalization Program renewal period (2014/15 to 2018/19), this gap will be $16.5 billion in total on a cumulative basis, over $3 billion per year on average ($3.5 billion in 2018/19). If the Equalization Program continues to be "constrained" beyond 2018/19, the fiscal impacts will be much greater.



Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
* Federal surpluses shown here are as projected by the Conference Board of Canada, December 2011. The projection includes federal savings realized by limiting the CHT escalator to the rate of GDP growth, but does not include the effects of measures announced in the federal government's Budget 2012.
** The December 19th federal proposal extends the GDP cap on Equalization to 2018/19 only. For illustrative purposes, this chart also shows what the impact would be in 2019/20 and beyond if the cap is extended further.

The CST will continue to grow at a slower rate than the CHT, meaning that major federal transfers for post-secondary and other social services will comprise a progressively smaller proportion of overall major federal transfers.

Between 2014/15 and 2018/19, Territorial Formula Financing (TFF) will grow by $420 million, from $3.4 billion to $3.8 billion. The TFF is forecast to grow at a slower rate than nominal GDP over this period.

1. Introduction

At the January 17, 2012 Council of the Federation (CoF) meeting, Premiers announced they would work together to assess the impacts of the federal proposal, provided on December 19th, 2011 by Federal Finance Minister Flaherty, for the renewal of major federal transfers:

"Mindful of both the uncertainty in the global economy and the economic value of Canada's health systems, Canada's Premiers committed to working together on fiscal arrangements to find solutions that will work for the benefit of all Canadians – in all provinces and territories.

Recognizing that the Canada Health Transfer will move to an equal per capita cash transfer, Premiers emphasized that the outcome must be consistent with the constitutional principle that every province and territory must be able to provide its citizens with reasonably comparable levels of public services at reasonably comparable levels of taxation.

Premiers are working together because they are all committed to the basic principle that no jurisdiction should be worse off. Canada's fiscal arrangements should be a win-win for all Canadians regardless of where they live.

Premier Greg Selinger will lead a working group composed of provincial and territorial Finance ministers who, as a first step, will assess the fiscal impact of the current federal fiscal proposals." (January 17, 2012 Council of the Federation (CoF) communiqué – Premiers Appoint Working Group on Fiscal Arrangements)

This report provides the assessment requested by CoF, prepared by the Working Group on Fiscal Arrangements (hereinafter referred to as the 'working group'), of the fiscal impact of the current federal fiscal proposals (Section 4). The analysis is supported by projections developed by the working group of the amount of funding that will be provided by the federal government to the provinces and territories based on the parameters announced on December 19, 2011. The working group also developed a number of alternative scenarios for comparison purposes. *Note: Appendix 1 & 2 provide methodology information and detailed tables with CHT, CST and TFF projections for the individual provinces and territories. Equalization estimates were not developed on a provincial level.*

Sections 2 and 3 provide context for this analysis and Section 5 provides additional information.

2. Major Federal Transfer Programs – Context for Analysis

All major transfers programs, the Canada Health Transfer (CHT), Canada Social Transfer (CST), Equalization, and Territorial Formula Financing (TFF), are federal government programs. While the federal government had committed to "work collaboratively" with provinces and territories, implementation/changes to these programs do not require formal approval from provincial-territorial governments through signed agreements.

2.1. Recent History of Major Federal Transfer Programs

The Canada Health Transfer and the Canada Social Transfer:

The CHT was last renewed in 2004, when the Canada Health and Social Transfer (CHST) was split into two separate transfers, the CHT and the CST.

The CHT provides long-term funding to support provincial and territorial health care programs. At the September 2004 meeting of First Ministers, the federal government and the provinces-territories reached a 10-year agreement on health care. In support of this agreement, the federal government increased CHT base funding and rolled its Health Reform Fund into the CHT. The First Ministers also reached an agreement on asymmetrical federalism that enables Québec to achieve similar goals through its own health plan.

Total CHT is allocated to provinces and territories on an equal per capita basis. Total CHT includes both the estimated value of the federal tax points transferred to provinces and territories and a cash payment. CHT cash payments are determined residually, by subtracting each province's and territory's per capita transferred tax revenue from its total equal per capita entitlement. Total CHT cash levels grow by 6 per cent annually as a result of the automatic escalator, which was put into effect beginning in 2005/06. These cash levels are set in legislation through 2013/14.

The CST was last renewed in 2007. The CST provides long-term funding to the provinces and territories in support of post-secondary education, social assistance and social services, and early childhood development and early learning and childcare.

The 2007 CST renewal included a new equal per capita cash allocation, which became effective in 2007/08. The CST has been allocated on an equal per capita cash basis since then. Prior to that, the CST allocation included cash and a tax transfer component, similar to the current CHT allocation. CST cash levels are set in legislation through 2013/14 and will grow by 3 per cent annually as a result of the automatic escalator, which began in 2009/10. The federal government's rationale for implementing a 3 per cent escalator was *"…to ensure predictable and sustainable increases broadly in line with population growth and inflation" (Federal Budget 2007, page 120).*

The manner in which the federal government provided CST transition protection ensured that no province or territory received lower CST cash transfers relative to what they would have received in 2007/08 if the cash plus tax point allocation formula had continued in 2007/08. In 2007/08, the federal government increased the CST base by $687 million to ensure no province or territory was "unduly" affected by the move in that year and future years. As well, it provided an estimated $282 million over five years to ensure that no province or territory experienced a decline in future CHT or CST cash payments relative to what it received in 2007/08. In 2008/09, the CST base was increased by a further $1.05 billion.

The federal government also introduced legislation in its 2007 budget to stop taking into account the value of the tax points in the allocation of the CHT starting in 2014/15, and committed to *"…providing similar protection when the CHT allocation is moved to an equal per capita cash basis in 2014–15" (Federal Budget 2007, page 115)*.[1]

In its 2009/10 budget, the federal government changed its policy to ensure that all Equalization receiving provinces received the same per capita CHT cash, which resulted in separate payments to Ontario in 2009-10 and 2010-11 to ensure Ontario receives the same CHT cash support as Equalization-receiving provinces.

<u>The Equalization Program:</u>

Equalization was last renewed in 2007 based on the recommendations of the Expert Panel on Equalization and Territorial Formula Financing. Equalization is the Government of Canada's primary vehicle for addressing fiscal disparities between provinces. Equalization payments are intended to enable all provincial governments to provide their residents with levels of public services that are reasonably comparable, at reasonably comparable levels of taxation.

The 2007 renewal of the Equalization Program included the elimination of the "fixed envelope" and a return to a formula in which the size of the program is driven by measured disparities relative to the national standard. Other key changes included: the use of the ten-province standard (instead of the five-province standard); the inclusion of 50 per cent of revenues from natural resources in the program (instead of 100%)[2]; the introduction of the fiscal capacity cap

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[1] Section 24.21 of the *Federal-Provincial Fiscal Arrangements Act* describes the move to equal per capita CHT cash but makes no mention of transition protection.

[2] Under the Budget 2007 formula, annual Equalization entitlements for individual provinces are calculated using both 50 per cent resource revenue exclusion and 100 per cent resource revenue exclusion, with provinces receiving the greater of the

(which includes 100 per cent of a province's natural resource revenues as well as off-shore accord revenues in determining a province's fiscal capacity) to ensure that the post-Equalization fiscal capacity of a recipient province did not exceed that of a non-recipient; and the reduction in the number of tax bases from 33 to 5.

The federal government stated in the 2007 budget that: *"The new Equalization program ensures that Equalization-receiving provinces have the necessary resources to provide reasonably comparable programs and services as those provided by provinces with higher own-source revenues" (Federal Budget 2007, page 113)*. Federal Budget 2007 also states: *"Taken together, these measures—the introduction of a strengthened Equalization program combined with a fiscal capacity cap and an equal per capita cash allocation in other major federal transfers—ensure that the new transfer system is more generous than before and that fundamental fairness is brought back to fiscal arrangements" (Federal Budget 2007, page 114)*.

Two major changes to the Equalization Program were implemented in the 2009 Federal Budget. First, the fiscal capacity cap[3] was redefined. Instead of being equal to the fiscal capacity of the lowest non-recipient province, it instead became equal to the average fiscal capacity of the equalization-recipient provinces. Second, the ceiling was introduced that limited growth in the overall program to be equal to three-year average growth in GDP, effectively reinstating the "fixed envelope." These changes both constrained the overall value of the Equalization Program, and impacted the distribution of the payments to the recipient provinces. The federal government argued that these changes were necessary to "...*ensure that the Equalization program grows at a sustainable pace*" (Finance Canada News Release 2008-085 – Backgrounder).

As a result of these changes, the current Equalization Program no longer brings the revenue-raising capacity of Equalization-receiving provinces up to the national average standard established by the 2007 Program. Total funding provided within a fixed enveloped program does not adequately respond to the overall level of fiscal disparities among provinces. An increase in entitlements for one receiving province leads to lower entitlements for the other receiving provinces.

The working group estimates that between 2009/10 and 2013/14, total Equalization entitlements will be a cumulative $17.8 billion less than they would have been under an

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two amounts. The 100 per cent resource revenue exclusion potentially benefits provinces with relatively high resource revenues. Although NL would have qualified for Equalization under the 100 per cent resource revenue exclusion option in 2012/13, its potential entitlement was fully offset by reductions under the revised fiscal capacity cap introduced in 2009/10.

[3] The determination of fiscal capacity for the cap includes pre-cap Equalization, 100% of resource and non-resource revenues and Offshore Accord payments. However, the "capped" level excludes Offshore Accord payments.

"unconstrained" program. For this year, 2012/13, total Equalization entitlements have been reduced from $18.6 billion to $15.4 billion due to these changes.

Territorial Formula Financing (TFF):

TFF was last renewed in 2007 based on the recommendations of the Expert Panel on Equalization and Territorial Formula Financing. TFF is an annual unconditional transfer from the Government of Canada to the three territorial governments intended to enable them to provide their residents a range of public services comparable to those offered by provincial governments, at comparable levels of taxation.

The 2007 renewal of Territorial Formula Financing (TFF) changed the arrangements from bilateral agreements to legislation under the *Federal-Provincial Fiscal Arrangements Act*. The new arrangements split eligible revenues into two components: seven tracked revenues and a revenue block. The seven tracked revenues are measured at national average tax rates using data from the Representative Tax System (RTS). The remaining revenues in the revenue block are escalated each year by 2.0 per cent, to reflect presumed growth in capacity. The various tax effort adjustments factors of the previous arrangements were combined into a 30 per cent Economic Development Incentive adjustment, which results in a reduction of 30 per cent to revenues included in the TFF formula. These changes were revenue-neutral in the first year by adjusting each territory's Gross Expenditure Base to 2006-07. With the 2007 changes, the TFF Grant also moved to a single, non-revisable entitlement in respect of each fiscal year.

2.2. Major Federal Transfers going into Renewal

Figure 2.1: Total Major Federal Cash Transfers, 2005/06 to 2013/14

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14*
					(millions of dollars)				
CHT[1]	20,310	20,140	21,729	22,768	23,987	25,426	26,952	28,569	30,283
CST[1]	8,415	8,500	9,857	10,560	10,865	11,186	11,522	11,861	12,215
EQ[2]	10,907	11,535	12,925	13,462	14,185	14,372	14,659	15,423	16,241
TFF[3]	2,058	2,118	2,279	2,313	2,498	2,664	2,876	3,111	3,277
Other[4]	219	386	563	663	1,208	1,537	1,739	1,137	TBA
Total	**41,909**	**42,680**	**47,352**	**49,765**	**52,743**	**55,185**	**57,747**	**60,101**	**TBD**

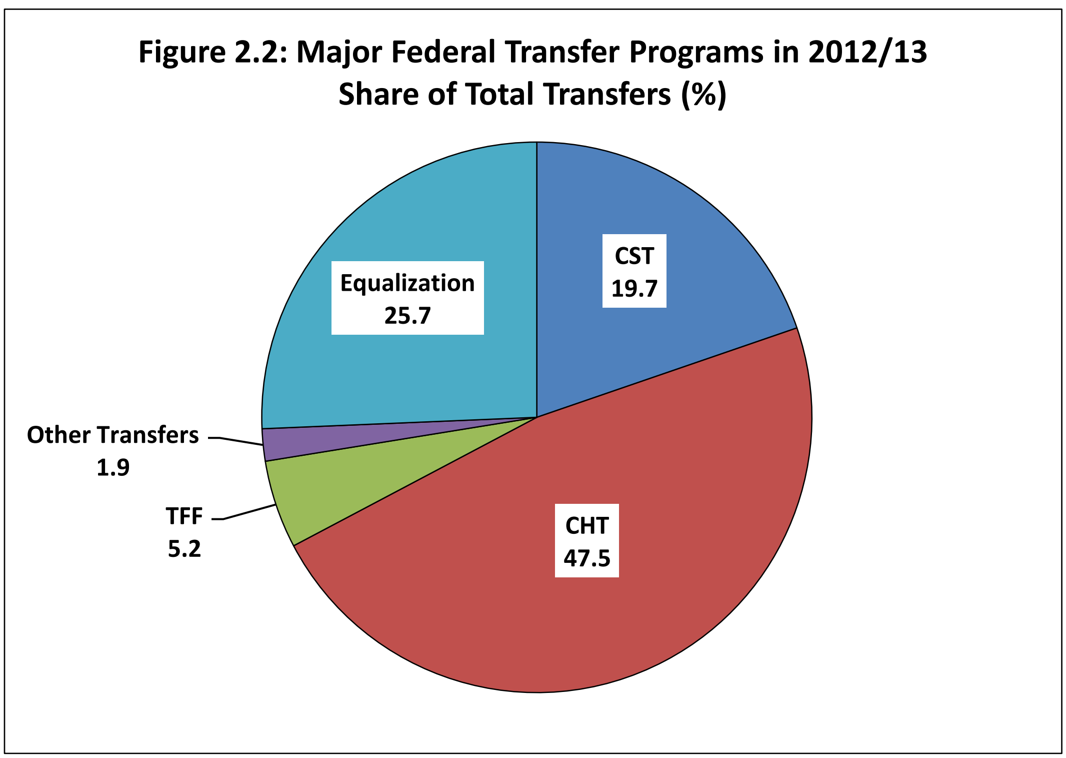
Source: Finance Canada, *Working Group on Fiscal Arrangements (2013/14 projection).

[1] CHT/CST include transition protection payments as of 2007-08. CST also includes $31.9 million from Budget 2008 transition protection payments to Saskatchewan and Nunavut notionally allocated over five and three years respectively beginning in 2008-09.

[2] Includes payments and additional amounts. Also includes 2009-10 transitional Equalization protection to Nova Scotia and Manitoba. From 2007-08 onward, reflects the 2007 formula for all provinces except Newfoundland and Labrador (NL) which remained under the previous Equalization formula until 2010-11, when NL made the election to enter into the 2007 Equalization formula.

[3] Includes payments, additional amounts and data revisions.

[4] Includes cash amounts from the 1985 and 1986 Accords and cash and notional amounts from the 2005 Accords. Also includes $83 million in 2011-12 and $312 million in 2012-13 in cumulative best-of payments to Nova Scotia. Also includes the 2009-10 transition adjustment payment to Nova Scotia ($74 million), the separate payments to Ontario for 2009-10 ($489 million) and for 2010-11 ($142 million) to ensure it receives the same per capita CHT cash support as other Equalization-receiving province. Also includes Total Transfer Protection (TTP) provided in 2010-11 ($525 million), 2011-12 ($952 million) and 2012-13 ($680 million) ensuring that a province's total major transfers in one of these years are no lower than in the prior year. For the purpose of calculating TTP, total major transfers comprise Equalization, CHT, CST and prior year TTP. One-time recoverable payments to Ontario ($150 million) and Prince Edward Island ($1 million) for 2011-12 not included. TTP payments were provided for under federal legislation introduced for each of the fiscal years covered to date.



Source: Finance Canada

3. Current Federal Fiscal Proposals

At the December 19, 2011 federal-provincial-territorial Finance Ministers' Meeting, federal Finance Minister Flaherty provided provincial and territorial Finance Ministers with the federal government's plan for the renewal of major transfers beginning in 2014/15. The December 19th announcement was confirmed in Federal Budget 2012[4]:

"Legislation will be introduced to ensure the current 6-per-cent annual escalator for the Canada Health Transfer (CHT) will continue for five more years. Starting in 2017–18, the CHT will grow in line with a three-year moving average of nominal GDP growth, with funding guaranteed to increase by at least 3 per cent per year.

This growth path demonstrates the Government's commitment to a publicly funded, universally accessible health care system that respects the principles of the Canada Health Act and recognizes that health care is an area of provincial jurisdiction. Funding for health care will continue to grow from $27 billion in 2011–12 to a minimum of $38 billion by 2018–19. This health care funding will provide certainty and stability to the provinces and territories as they take action to put their respective health care systems on sustainable spending paths. The CHT will be reviewed in 2024.

The Canada Social Transfer (CST) provides financial support to provinces and territories for post-secondary education, social assistance and social services, as well as programs for children. Recognizing the importance of this funding for the delivery of social programs, the Government will introduce legislation to continue the 3-per-cent escalator for the CST for 2014–15 and subsequent years. The CST will also be reviewed in 2024.

In Budget 2007, the Government legislated equal per capita cash support for both the CST and the CHT in order to provide comparable treatment for all Canadians, regardless of where they live. CST equal per capita cash allocations began in 2007–08. To provide provinces and territories the time to prepare, legislation set 2014–15 as the year when CHT equal per capita cash allocations would begin. The Government will introduce legislation to ensure that the transition is fiscally responsible by providing protection so that no province or territory will receive less than its 2013–14 CHT cash allocation in subsequent years as a result of the move to equal per capita cash.

The Government also announced in December 2011 that Equalization will continue to grow in line with GDP and Territorial Formula Financing (TFF) will continue to grow based on its current formula. Federal-provincial territorial officials will complete the review of the technical aspects of Equalization and TFF in time for their renewal in 2014–15." (page 191, Federal Budget 2012)

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[4] Federal Budget Implementation Bill (C-38) was introduced in parliament on April 26, 2012. Bill C-38 includes the changes to the *Federal-Provincial Fiscal Arrangements Act* required to implement the federal proposal on the renewal of major transfers announced by the federal government on December 19th, 2011.

4. Assessment of the Impact of the Current Federal Fiscal Proposals

This section assesses the fiscal impacts of the December 19th federal announcement regarding the renewal of major federal transfer programs. Sections 4.1 to 4.4 provide assessments at the individual program level for CHT, CST, Equalization and TFF. The impact on combined major transfers is presented in Section 4.5. Section 4.6 discusses how the December 19th changes are expected to impact the fiscal balances of the federal government and provincial/territorial governments.

4.1. Canada Health Transfer:

On December 19, 2011 the federal government announced that the CHT will continue to grow at 6 per cent annually for 2014/15, 2015/16 and 2016/17. Starting in 2017/18, and up to and including 2023/24, the CHT will grow in line with nominal GDP, with a 3 per cent floor provision.

The federal government also confirmed that the CHT will be allocated on an equal per capita cash basis starting in 2014/15, as legislated in 2007. However, rather than provide "CST-style" protection to ensure that no province or territory is worse off under the move to equal per capita cash, as per the 2007 budget commitment, the federal government announced it will now only provide by-province protection against year-over-year declines in cash levels.[5]

In order to help determine the impact of the December 19th federal announcement, the working group developed the following three projections for CHT transfers:

> <u>December 19th Proposal:</u> Equal per capita cash allocation beginning in 2014/15 (within the existing CHT funding envelope). The current 6 per cent escalator is extended to 2016/17 followed by a nominal GDP growth escalator to 2023/24.[6] By-province protection ensures no jurisdiction gets less cash than it did in 2013/14.
>
> <u>The 2007 Federal Commitment:</u> Equal per capita cash allocation beginning in 2014/15 (accompanied by a base increase to facilitate the transition). CHT transition protection

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[5] When the CST moved to equal per capita cash support in 2007/08, the federal government increased the CST base by $687 million to ensure no province or territory was "unduly" affected by the move in that year and future years. As well, it provided an estimated $282 million over five years to ensure that no province or territory experiences a decline in future CHT or CST cash payments relative to what it received in 2007/08. It is estimated that maintaining this commitment in 2014/15 when the CHT moves to equal per capita cash would require a base increase of about $820 million in 2014/15 plus about $190 million in ongoing protection in 2014/15 and 2015/16. In contrast, it will not be necessary to increase the CHT base to provide the type of protection (i.e. by province protection against year-over-year declines in CHT cash levels) proposed by the federal government on Dec 19, 2011.

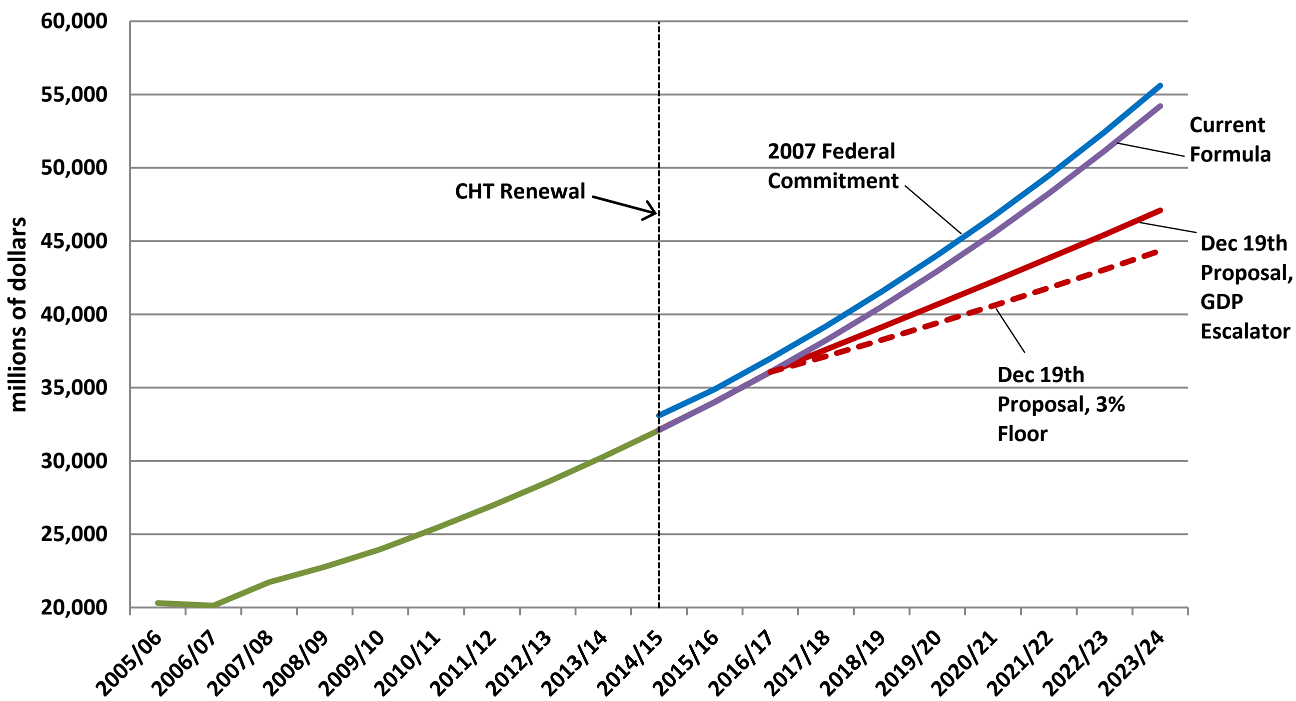
[6] While it is expected that nominal GDP growth will average 4 per cent, the federal government has guaranteed a minimum escalator of 3 per cent in the event that growth is slower than expected. While unlikely, this minimum escalator would generate an even greater loss than projected.

implemented in the same way as was the CST move to equal per capita cash as per the federal commitment in Budget 2007. This scenario assumes the current 6 per cent escalator continues to 2023/24.[7]

The 2004 Formula (currently in place): Equal per capita tax plus cash and assuming a 6 per cent escalator to 2023/24.

Figure 4.1 puts the CHT projections into historical context and shows how the December 19th proposal compares to 1) the 2004 formula currently in place, and; 2) what would have been provided under the federal government's 2007 budget commitment (and assuming a 6 per cent escalator to 2023/24).

Figure 4.1: Actual and Projected Total CHT Entitlements, 2005/06 to 2023/24



Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

[7] On CBC Radio's *The House* on April 9, 2011, Finance Minister Jim Flaherty suggested that a Conservative government would maintain the 6% escalator for the life of the next health agreement: *"[Reporter:] Stephen Harper this week … agreed to maintain the health care transfers to the provinces to 6% as the escalator year over year after 2014 which is when the accord expires. … [Jim Flaherty:] … We have assumed 6% on an ongoing basis for the Canada Health Transfer and we are committed to that … until 2014 and then … at least 2 years … . We need to negotiate with the provinces and see how long an agreement do you want - a 5 year agreement, a 10 year agreement, a 2 year agreement … . … Well we will see how long the agreement will be, we will keep it at 6% for whatever the duration of the agreement is. What you asked me is how long would the agreement be, well I don't know, we will have to talk to all the provinces about that, it could be 2 years, 5 years, whatever. Whatever it is, 6%. [Reporter:] For however many years it ends up being? [Flaherty:] Yes that's right, yes."*

Provinces and territories will receive significantly less funding through the CHT over the next ten years under the December 19th parameters than they would have under the 2004 formula currently in place or the 2007 federal commitment.

Compared to the 2007 federal commitment, the provinces and territories will collectively receive $36 billion less in federal funding for health care between 2014/15 and 2023/24, on a cumulative basis, due to the changes announced on December 19th.[8]

This lower amount is due to a combination of 1) the reduction in the CHT escalator from 6 per cent to nominal GDP growth starting in 2017/18, and 2) the limited protection package the federal government plans to provide when the CHT moves to equal per capita cash in 2014/15. It is worth noting that while the move to per capita funding in 2014/15 will not change the level of total CHT funding provided by the federal government, it will change the allocation among the provinces and territories.

1) Impact of the move to a nominal GDP growth escalator in 2017/18:

- Comparing the December 19th proposal to the current formula isolates the fiscal impact of the slower CHT growth rate.
- Collectively, the provinces and territories will receive $25 billion less in health care funding between 2017/18 and 2023/24 due to the change from 6 per cent to a GDP growth escalator.
- In 2023/24, total CHT payments will be $7.1 billion lower due to this change.

2) Impact of the limited CHT protection plan announced on December 19th:

- Comparing the 2004 formula with the 2007 federal commitment shows the impact on CHT entitlements of the federal government's decision to provide limited protection for the move to equal per capita cash CHT transfers.
- Over the upcoming 10-year renewal period, the provinces and territories will receive a cumulative $11 billion less due to this change, over $1 billion per year on average. It is important to note that the negative impact on revenue will not be shared evenly across provinces. See Appendix 2 for detailed tables with CHT, CST and TFF projections for the individual provinces and territories. Tables A.8 (B&C), A.9 (B&C), A.10. (B&C) show impacts, by individual province and territory, on a total and per capita basis.

[8] This assumes that nominal GDP growth averages around 4 per cent during this period.

Figure 4.2.A: CHT Projection Scenarios, December 19th Announcement
Total CHT Entitlements, 2014/15 to 2023/24

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	(millions of dollars)										
Base Amount	32,100	34,026	36,068	37,593	39,122	40,677	42,260	43,846	45,452	47,101	398,246
Yr-over-Yr Protection	21	0	0	0	0	0	0	0	0	0	21
Total CHT	32,121	34,026	36,068	37,593	39,122	40,677	42,260	43,846	45,452	47,101	398,266

Figure 4.2.B: CHT Projection Scenarios, Difference between 2004 (Current) Formula[1] and December 19th Announcement, Total CHT Entitlements, 2014/15 to 2023/24

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	(millions of dollars)										
Total CHT (2004)	32,100	34,026	36,068	38,232	40,526	42,957	45,535	48,267	51,163	54,232	423,105
Difference[2]	*21*	*0*	*0*	*-638*	*-1,404*	*-2,280*	*-3,274*	*-4,421*	*-5,711*	*-7,131*	*-24,838*
Difference(%)[2]	*0.1%*	*0.0%*	*0.0%*	*-1.7%*	*-3.5%*	*-5.3%*	*-7.2%*	*-9.2%*	*-11.2%*	*-13.1%*	*-5.9%*

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
1. The '2004 (Current) Formula Scenario' also assumes the current 6 per cent escalator continues until 2023/24.
2. Total reduced CHT funding that will be provided under the December 19 proposal compared to what would be provided under the current formula. 2004 formula entitlements are used as the denominator when calculating percentage differences.

Figure 4.2.C: CHT Projection Scenarios, Difference between 2007 Commitment[1] and December 19th Announcement, Total CHT Entitlements, 2014/15 to 2023/24

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	(millions of dollars)										
Base Amount (2007)	32,922	34,897	36,991	39,211	41,563	44,057	46,701	49,503	52,473	55,621	433,940
Yr-over-Yr Protection	186	6	0	0	0	0	0	0	0	0	192
Total CHT	33,108	34,903	36,991	39,211	41,563	44,057	46,701	49,503	52,473	55,621	434,131
Impact of Limited Base Protection[2]	*-822*	*-871*	*-924*	*-979*	*-1,038*	*-1,100*	*-1,166*	*-1,236*	*-1,310*	*-1,389*	*-10,835*
Impact of Lower Escalator[2]	*0*	*0*	*0*	*-638*	*-1,404*	*-2,280*	*-3,274*	*-4,421*	*-5,711*	*-7,131*	*-24,859*
Difference in yr-over-yr protection[2]	*-165*	*-6*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-171*
Total Difference[2]	***-987***	***-877***	***-924***	***-1,617***	***-2,441***	***-3,380***	***-4,440***	***-5,657***	***-7,021***	***-8,520***	***-35,865***
Total Difference(%)[2]	***-3.0%***	***-2.5%***	***-2.5%***	***-4.1%***	***-5.9%***	***-7.7%***	***-9.5%***	***-11.4%***	***-13.4%***	***-15.3%***	***-8.3%***

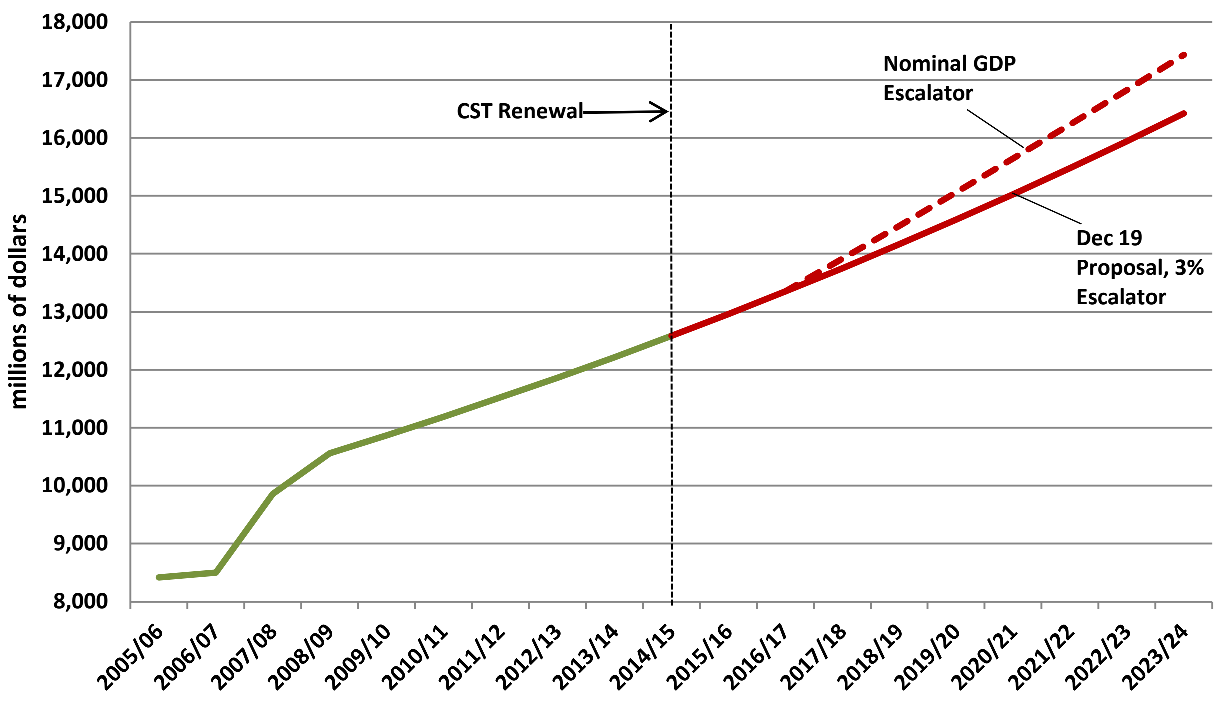
Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
1. The '2007 Commitment Scenario' also assumes the current 6% escalator continues until 2023/24.
2. Reduced funding that will be provided under the December 19 proposal compared to what would be provided under the 2007 federal commitment. 2007 commitment entitlements are used as the denominator when calculating percentage differences.

4.2. Canada Social Transfer:

On December 19th, 2011, the federal government announced that the CST will continue to grow at 3 per cent annually on an ongoing basis. Figure 4.3 shows total CST transfers to the provinces and territories based on this announcement. The CST will continue to grow at a slower rate than the CHT, meaning that major federal transfers for post-secondary and other social services will comprise a progressively smaller proportion of overall major federal transfers.

As part of its analysis, the working group considered an alternative scenario which would see the CST grow at the same rate as other major federal transfers (i.e., at the rate of growth of national nominal GDP). Compared to the December 19th proposal, a CST growth rate in line with nominal GDP growth beginning in 2017/18 would mean over $1 billion more annually in funding for post-secondary education and other social services by 2023/24 (an additional $4.2 billion, cumulatively, over the ten-year renewal period).

Figure 4.3: Actual and Projected Total CST Entitlements, 2005/06 to 2023/24



Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Figure 4.4: CST Projection Scenarios, Total CST Entitlements, 2014/15 to 2023/24

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
					(millions of dollars)					
December 19 Proposal	12,582	12,959	13,348	13,748	14,161	14,586	15,023	15,474	15,938	16,416
Nominal GDP Growth Rate	12,582	12,959	13,348	13,913	14,478	15,054	15,640	16,226	16,821	17,431
Difference[1]	*0*	*0*	*0*	*164*	*317*	*468*	*617*	*752*	*883*	*1,015*
Difference(%)[1]				*1.2%*	*2.2%*	*3.2%*	*4.1%*	*4.9%*	*5.5%*	*6.2%*

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

1. Additional CST entitlements that would be provided if the CST were to grow in line with nominal GDP beginning in 2017/18 compared to the December 19 proposal. December 19 proposal entitlements are used as the denominator when calculating percentage differences.

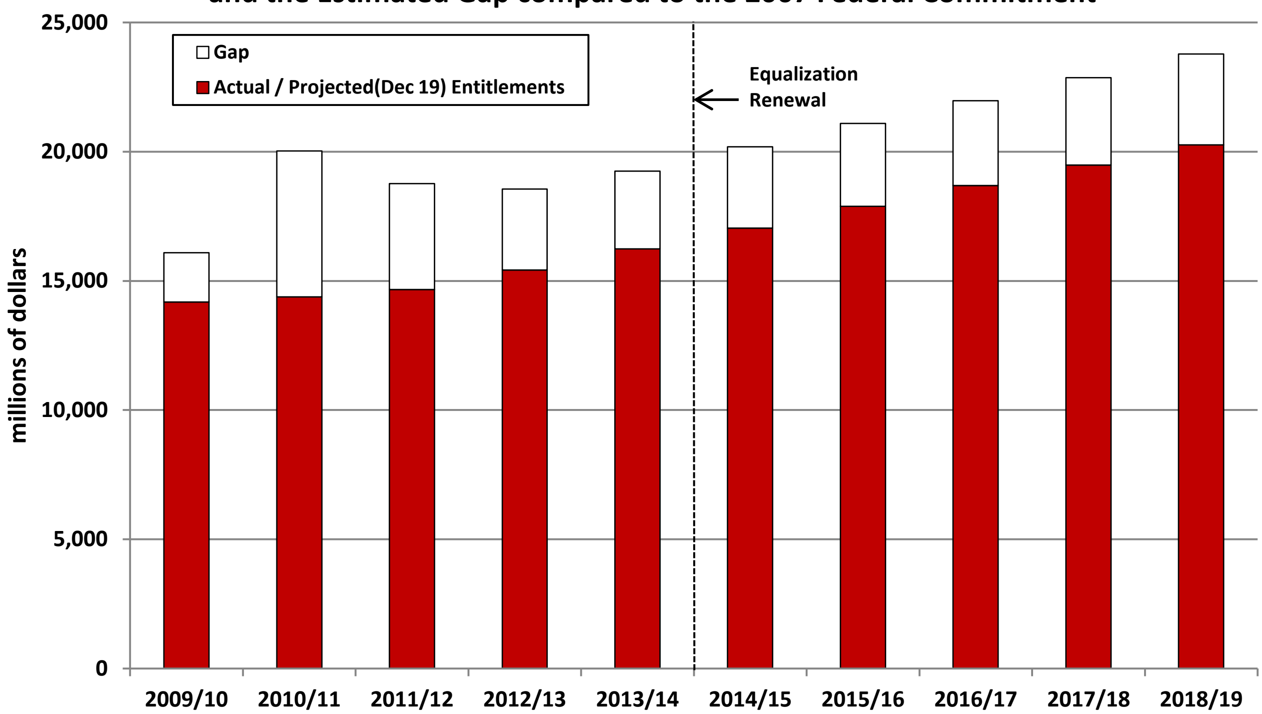
4.3. Equalization:

On December 19th, 2011, the federal government announced that Equalization will continue to grow in line with GDP until at least 2018/19. The federal government also announced that decisions on technical changes to Equalization will be considered in 2013, once the technical review has concluded. *Note: The potential impacts on the level and allocation of Equalization entitlements that may result from the technical review have not been determined and therefore are not considered in this report.*

To help estimate the fiscal impact of the December 19th announcement, the working group developed projections of Equalization entitlements based on the current program funding parameters as well as estimates of what entitlements would be under the 2007 program.[9]

Figure 4.5 shows the results of this analysis.

Figure 4.5: Actual and Projected Equalization Entitlements (Dec 19th Proposal) and the Estimated Gap compared to the 2007 Federal Commitment



Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

As announced by the federal government on December 19th, the limits imposed on the Equalization Program in 2009/10 will remain in place until at least 2018/19. This decision by the federal government means that the ability of the program to bring equalization receiving

[9] The projections under the 2007 program are constructed by assuming that total Equalization entitlements continue to comprise a constant share of nominal GDP.

provinces up to the established national average standard will continue to be constrained. In other words, a gap will remain between what is provided through the Equalization Program and what would be provided if provinces were equalized up to the ten-province standard established by the 2007 program. Over the five year renewal period, from 2014/15 to 2018/19, this gap will average over $3 billion per year ($16.5 billion in total on a cumulative basis).

Figure 4.6: Equalization Projection Scenarios, Total Equalization Entitlements, 2014/15 to 2018/19

	2014/15	2015/16	2016/17	2017/18	2018/19
		(millions of dollars)			
December 19 Proposal	17,061	17,905	18,706	19,497	20,290
2007 Federal Commitment	20,195	21,110	21,977	22,868	23,792
*Gap**	*3,134*	*3,205*	*3,271*	*3,371*	*3,502*

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
* Difference between December 19 Proposal Equalization entitlements and the amount that would be provided through an “unconstrained” program.

4.4. Territorial Formula Financing:

On December 19th, 2011, the federal government announced that TFF will continue to grow based on its current formula until at least 2018/19. The federal government also announced that decisions on technical changes will be considered in 2013 once the technical review has concluded. *Note: The potential impacts on TFF that may result from the technical review are not considered in this report.*

Between 2014/15 and 2018/19, TFF will grow by $420 million, from $3.4 billion to $3.8 billion. The TFF escalator is forecast to grow at a slower rate than nominal GDP over this period.

4.7: Projected Total TFF Cash Entitlements, 2014/15 to 2018/19

	2014/15	2015/16	2016/17	2017/18	2018/19
		(millions of dollars)			
December 19 Proposal	3,405	3,493	3,586	3,699	3,825

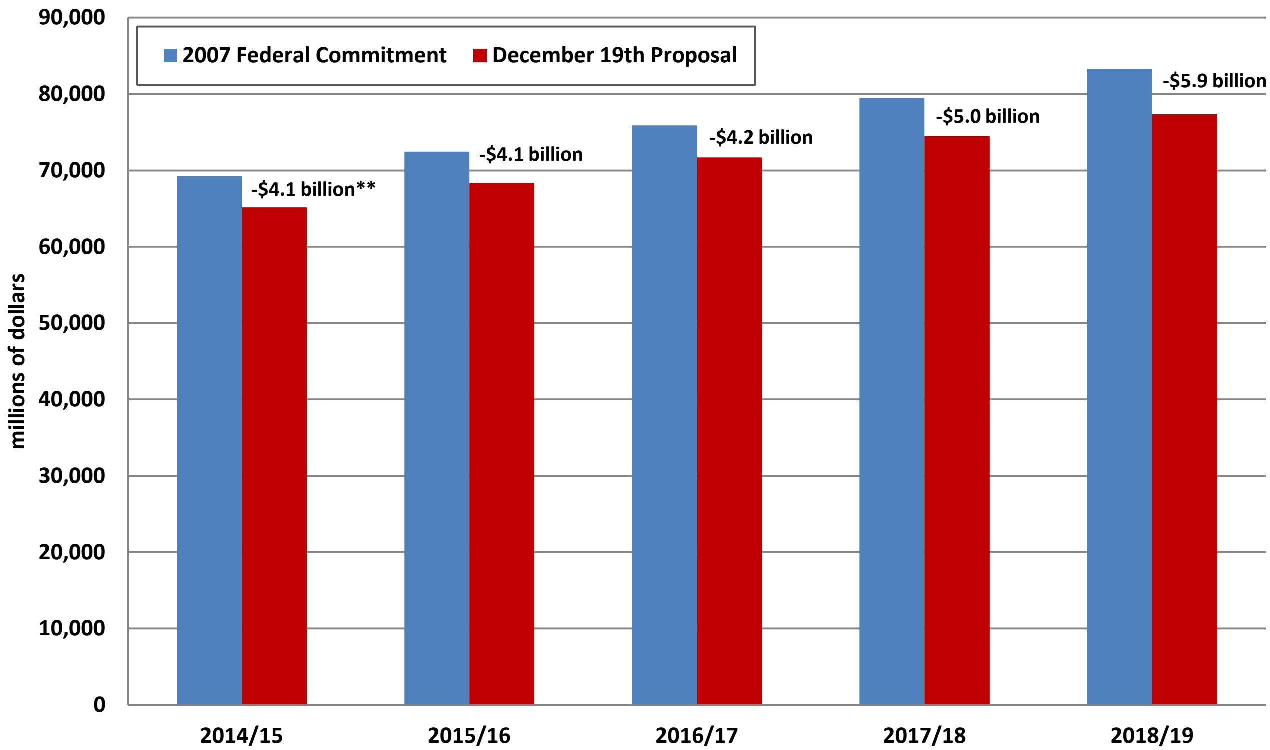
Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

4.5. Combined Major Transfers

In its 2007 budget, the federal government announced its plan to restore fiscal balance in Canada. A key component of the plan was strengthened Equalization and TFF programs combined with equal per capita cash support for the CST and CHT. Since then, ad-hoc changes implemented by the federal government to the major transfer programs have reduced payments compared to what they would have been had federal government followed through on the 2007 budget plan. The December 19, 2011 federal announcement on the renewal of major transfers will result in even further reductions in major transfer program levels relative to the 2007 plan.

In order to estimate the fiscal impacts of the December 19th announcement, the working group considered a number of projection scenarios for the various programs. Figure 4.8 compares the December 19th proposal with the 2007 federal plan in terms of the combined amount of funding that would be provided through the major transfer programs over the next five years.

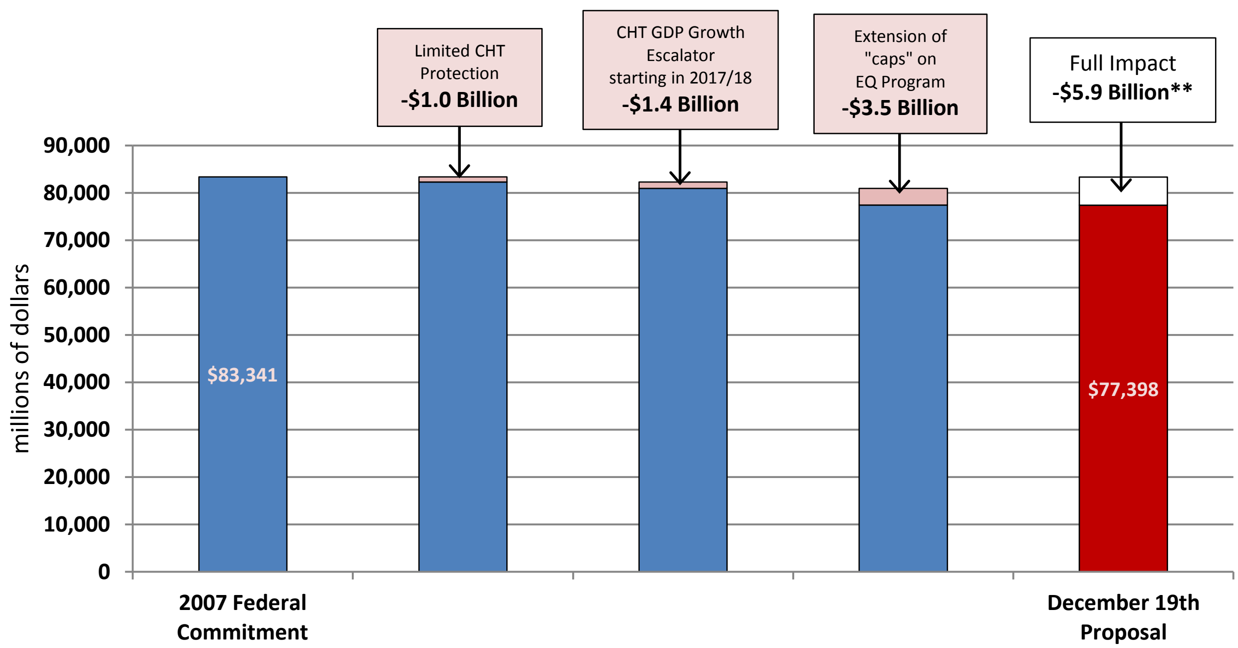
Figure 4.8: Combined Major Transfers*, 2014/15 to 2018/19



Source: Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
* CHT (including by-province CHT transition protection), CST, Equalization and TFF. Other transfers not included.
** Difference between 2007 Federal Commitment and December 19th announcement.

In 2018/19, $5.9 billion less will be provided by the federal government to the provinces and territories through the combined major transfers compared to the federal commitments made in the 2007 budget, due to relatively lower CHT and Equalization entitlements. Cumulatively, in the span of five years between 2014/15 to 2018/19, $23.3 billion less funding will be available to provinces and territories. This is the last year (2018/19) that a plan is in place for all major transfer programs. Equalization and TFF will be renewed again in 2019/20.

Figure 4.9: Combined Major Transfer Payments* in 2018/19 Impact of the December 19th Federal Announcement



Source: Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
* Combined Transfers includes CHT, CST, Equalization and TFF. Other transfers not included.
** This does not include the potential impacts of the results of the technical review of Equalization.

In the longer-term, the impact of a lower CHT growth rate will become even more prominent compared to what would have been provided to provinces and territories under a 6 per cent escalator. Between 2014/15 and 2023/24, CHT levels will be $36 billion lower than they would have been under the 2007 commitment, the majority of which will occur in the last 5 years.

Figure 4.10: Combined Major Transfers Projections, 2014/15 to 2018/19
December 19 Federal Announcement vs. 2007 Federal Commitment (in millions)

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
CHT Dec 19 Proposal	32,121	34,026	36,068	37,593	39,122	178,930
CHT 2007 Commitment	33,108	34,903	36,991	39,211	41,563	185,777
*Difference**	*-987*	*-877*	*-924*	*-1,617*	*-2,441*	*-6,847*
*Difference (%)**	*-3.0%*	*-2.5%*	*-2.5%*	*-4.1%*	*-5.9%*	*-3.7%*
CST Dec 19 Proposal	12,582	12,959	13,348	13,748	14,161	66,798
EQ Dec 19 Proposal	17,061	17,905	18,706	19,497	20,290	93,459
EQ 2007 Commitment	20,195	21,110	21,977	22,868	23,792	109,942
*Difference**	*-3,134*	*-3,205*	*-3,271*	*-3,370*	*-3,502*	*-16,482*
*Difference (%)**	*-15.5%*	*-15.2%*	*-14.9%*	*-14.7%*	*-14.7%*	*-15.0%*
TFF Dec 19 Proposal	3,405	3,493	3,586	3,699	3,825	18,009
Combined Dec 19 Proposal	65,169	68,383	71,708	74,537	77,398	357,196
Combined 2007 Commitment	69,290	72,465	75,902	79,526	83,341	380,526
*Difference**	*-4,121*	*-4,082*	*-4,194*	*-4,989*	*-5,943*	*-23,330*
*Difference (%)**	*-5.9%*	*-5.6%*	*-5.5%*	*-6.3%*	*-7.1%*	*-6.1%*

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements
* Difference between entitlements under the December 19 announcement and the amount that would be provided under the 2007 federal commitment (assuming a 6% CHT escalator). 2007 is used as the the denominator when calculating percentage differences.

4.6. Federal and Provincial-Territorial Fiscal Balances

Overview

The December 2011 Conference Board of Canada Report prepared for the Council of the Federation projected “healthy budget surpluses” for the federal government over the medium and longer-term that would allow it to maintain annual growth in the CHT at the current 6 per cent rate.

On December 19, 2011, the federal government announced it was lowering the rate of growth of funding for provincial and territorial health care programming through the CHT starting in 2017/18. While this has improved the federal fiscal situation and gives the federal government more room for new spending or tax cuts, the provinces and territories are now left to face the cost pressures resulting from population aging and the ongoing demands for health care innovation and program enrichment without the level of federal support that was anticipated following the 2007 Federal Budget. With long-term cost of health care almost certainly growing at a rate above nominal GDP, the federal share of aggregate provincial/territorial health care spending is expected to decline to 18.6 per cent from the current 20.4 per cent between 2017/18 and 2024/25 based on the recent study of The Office of the Parliamentary Budget Officer.

Assessment

Tying CHT growth to nominal GDP growth will improve the medium and long-term fiscal prospects for the federal government but will result in a declining federal share of funding for provincial/territorial health care programs.

Based on projections prepared by the Conference Board of Canada on behalf of CoF, the federal government could afford to maintain current rates of transfer growth, including the 6 per cent CHT escalator, and still maintain an annual surplus over the longer term. The surpluses are now expected to be significantly larger with growth in CHT linked to nominal GDP growth, expected to average about 4 per cent between 2016/17 and 2023/24.

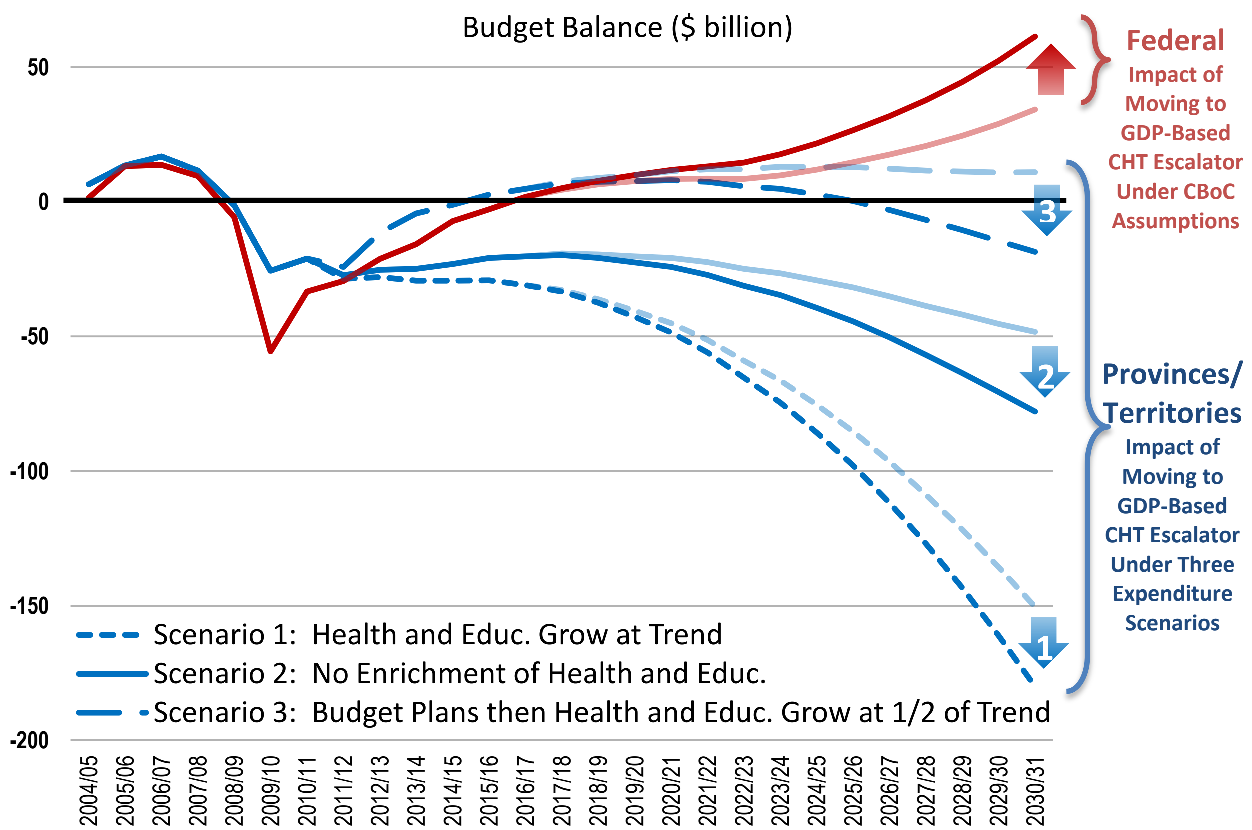
According to the Conference Board, the reduction in CHT support will increase the federal government’s projected annual surplus in 2030/31 to $61 billion; almost double the expected $34 billion surplus had the CHT escalator remained at 6 per cent throughout the projection period. However, in light of the cuts announced in the 2012 federal budget plan, the potential federal surplus is likely greater than what was projected by the Conference Board.

Taking into account the expenditure reduction measures announced in Federal Budget 2012, the federal budgetary surplus is expected to be $3.4 billion in 2015/16 and $7.8 billion in 2016/17 (with current transfer growth rates).

Aggregate provincial and territorial government fiscal prospects are less positive, particularly since many of the public services they provide are experiencing the greatest cost pressures, such as health care. As well, although all plan to return to surplus by 2017/18, there is considerable variation in fiscal, economic and demographic situations across jurisdictions.

Only under the most optimistic revenue-expenditure scenario of provincial/territorial fiscal prospects developed by the Conference Board do the jurisdictions achieve and maintain an aggregate budgetary balance over the longer term, and this requires 6 per cent annual CHT growth (under this scenario, health and education spending is restrained to below maintenance levels for three years followed by growth at about one-half long-term trends).[10]

Impact of Moving to GDP-Based CHT Escalator Under Three PT Expenditure Scenarios



Source: Conference Board of Canada

[10] The CBoC projection scenarios assume no additional compensating fiscal measures are introduced.

However, the announced reduction in CHT support will reduce aggregate provincial/territorial budgetary balances by about $8 billion in 2023/24 and by $30 billion in 2030/31, thereby pushing them back into a collective deficit by 2026/27.

With federal health care support through the CHT expected to be below the rate of health care expenditure growth over the medium and longer term, the Conference Board projections expect the federal share of provincial/territorial health care programs to decline from 20.5 per cent in 2010/11 to as low as 17.1 per cent[11] by 2030/31.

The Office of the Parliamentary Budget Officer has also recently reviewed the impact of the federal government's December 19, 2011 announcement on federal and aggregate provincial/territorial fiscal balances.

Based on its fiscal projection model and its slightly lower outlook for nominal GDP, it projects 3.9 per cent average annual growth in CHT cash from 2017/18 to 2024/25. This is significantly lower than the expected annual growth in provincial/territorial health care expenditures of 5.1 per cent. This will reduce the federal share of aggregate provincial/territorial health care spending to 18.6 per cent from the current 20.4 per cent.

The Office of the Parliamentary Budget Officer notes that the announced reduction in federal health care support through the CHT has positively affected the federal fiscal situation, turning a projected longer term fiscal gap into a fiscal surplus – meaning the federal government actually has the capacity to increase spending or reduce taxes while still maintaining fiscal sustainability.

In contrast, the reduction in support has made the provincial/territorial fiscal situation significantly less sustainable, increasing net debt relative to GDP from 20 per cent in 2010/11 to a projected 125 per cent by 2050/51 (the fiscal gap is estimated to be $49 billion in 2011/12 and increasing over time).

According to The Office of the Parliamentary Budget Officer, the fiscal impact of the reduction in CHT support is clear: "With CHT growing in line with nominal GDP (beyond 2016-17) instead of the 6 per cent annual growth assumed in FSR 2011 [Fiscal Sustainability Report], the projected increase in consolidated program spending relative to the size of the economy –

[11] Under the three CBOC Scenarios, the federal share of aggregate provincial/territorial spending on health care as provided through CHT cash could decline to between 19.2% to 21.1% in 2023/24 and to between 17.1% to 19.7% by 2030/31. Provincial and territorial efforts to reduce health expenditures in the near term, and the 6% increase in CHT until 2016/17, help to maintain the federal share over the short term.

resulting from population ageing and assumed program enrichment – now falls squarely on provincial and territorial governments."

5. Additional Information

5.1. Summary of Technical Review of Equalization and TFF

The December 19, 2011 federal announcement stated that decisions on technical improvements to Equalization and TFF will be considered in 2013 once the technical review is concluded. To date, federal and provincial/territorial officials have been analyzing various technical aspects of the program. The federal workplan includes not only the examination of a number of technical issues relating to tax bases, but also includes a number of major conceptual issues (e.g. expenditure need, macro-approach, economic rent) that, if implemented, would result in significant structural and distributional changes. Even the so-called technical changes can be divisive given that they have material fiscal consequences that vary across jurisdictions. At this stage of renewal, potential changes and associated financial impacts are uncertain.

5.2. Potential Federal Timeline

The federal government has indicated its intent to implement renewed major federal transfers in 2014/15. Changes to the programs will require amending the *Federal-Provincial Fiscal Arrangements Act*.

Federal Budget Implementation Bill (C-38) was introduced in parliament on April 26, 2012. Bill C-38 includes the changes to the *Act* required to implement the new parameters announced on December 19th, 2011.

With respect to further changes that may result from the technical reviews of the Equalization and TFF programs, it is expected that the federal government would need to initiate these changes in 2013, possibly as part of it 2013 budget plan.

5.3. Demographic Information

Select demographic information is included in Appendix 3.

REPORT OF THE COUNCIL OF THE FEDERATION WORKING GROUP ON FISCAL ARRANGEMENTS

ASSESSMENT OF THE FISCAL IMPACT OF THE CURRENT FEDERAL FISCAL PROPOSALS

APPENDICES

JULY, 2012

Appendix 1: Methodology

The attached tables provide historical values and projections of future major transfer amounts as prepared by the Working Group.

Historical values (2004/05 to 2012/13) have been taken directly from Finance Canada's website (http://www.fin.gc.ca/fedprov/mtp-eng.asp).

Future Year Estimates (2014/15 to 2023/24) have been calculated by the Working Group based on the following information.

Data Inputs

To assess the fiscal impact of the December 19 announcement, the Working Group developed a standard set of actual and forecasted economic data inputs for Canada as well as for the provinces and territories:

1. Population – Population data for 2010 and 2011 were provided by Finance Canada based on Statistics Canada estimates. Population data for 2012 to 2024 are Conference Board of Canada forecasts adjusted to June 1 and modified to incorporate detail on territorial populations from Statistics Canada's M4 projection scenario (and, in the case of 2012, detail from Statistics Canada's preliminary post-censal estimates for July 2011).

2. Gross Domestic Product (GDP) – GDP estimates for 2010 to 2024 were obtained from The Conference Board of Canada using quarter-by-quarter forecasts of nominal GDP.

3. Corporate Profits Before Taxes – Data source is The Conference Board of Canada.

4. Personal Income – Data source is The Conference Board of Canada.

5. Corporate Taxable Income – Corporate taxable income for 2010 obtained from Finance Canada and is based on Canada Revenue Agency data for December 31, 2011. Future years extrapolated using Conference Board of Canada corporate profits forecast and an assumption of unit elasticity.

6. Basic Federal Tax – Basic federal tax for 2010 based on a March 2012 estimate provided by Finance Canada. Future years extrapolated using Conference Board of Canada personal income forecast and an assumption of unit elasticity.

The Working Group estimated total cash entitlements for TFF by applying the program's population adjusted provincial-local government expenditure (PAGE) escalator. The PAGE expenditure escalator employed Conference Board of Canada forecasts and population was estimated using Statistics Canada July 1st population projections.

Appendix 2: Detailed Tables

Table A.1.A: Canada Health Transfer (CHT) Cash Payments* by Province/Territory, 2005/06 to 2013/14

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2005/06	343	92	625	499	5,049	7,720	785	694	1,641	2,795	23	22	22	20,310
2006/07	337	91	620	493	5,036	7,732	781	711	1,473	2,798	23	23	22	20,140
2007/08	347	95	639	512	5,246	8,401	813	756	1,784	3,065	25	25	23	21,729
2008/09	403	99	662	528	5,471	8,981	851	756	1,784	3,162	25	24	23	22,768
2009/10	450	104	700	557	5,799	9,233	903	843	1,962	3,354	27	27	26	23,987
2010/11	436	110	728	580	6,087	10,037	950	812	2,022	3,583	27	27	27	25,426
2011/12	453	117	760	607	6,410	10,741	1,004	858	2,139	3,777	29	28	28	26,952
2012/13	472	123	797	637	6,770	11,390	1,062	909	2,287	4,032	31	30	30	28,569
2013/14*														30,283

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published); *Working Group on Fiscal Arrangements (2013/14 projection).
Note: Totals may not add due to rounding
*Total CHT is allocated to provinces and territories on an equal per capita basis. Total CHT includes both the estimated value of the federal tax points transferred to provinces and territories and a cash payment. CHT cash payments are determined residually, by subtracting each province's and territory's per capita transferred tax revenue from its total equal per capita entitlement.

Table A.1.B: Canada Health Transfer (CHT) Cash Payments* by Province/Territory, 2005/06 to 2013/14

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(dollars per capita)								
2005/06	667.05	666.93	666.65	666.75	666.33	617.09	666.23	698.23	495.31	666.86	753.00	496.51	695.66	630.58
2006/07	660.24	660.24	660.24	660.24	660.24	611.22	660.24	717.00	431.82	660.24	756.90	530.09	689.02	618.91
2007/08	686.21	685.00	682.74	686.82	682.96	657.45	681.62	756.55	508.92	712.31	792.33	568.12	705.53	660.64
2008/09	796.29	706.53	706.53	706.53	706.53	695.28	706.53	746.03	497.95	722.54	779.72	544.10	706.53	684.23
2009/10	886.41	739.75	745.14	743.45	741.72	707.22	742.11	820.72	535.06	753.08	844.16	614.12	787.55	712.07
2010/11(e)	852.64	770.68	770.67	770.67	770.67	759.89	770.67	779.22	544.10	792.11	836.04	622.98	773.79	746.01
2011/12(e)	886.98	804.16	804.16	804.16	804.16	804.16	804.16	812.82	567.01	826.61	874.58	642.83	806.28	782.52
2012/13(e)	926.26	842.89	842.89	842.89	842.89	842.89	842.89	850.66	594.86	868.54	918.88	670.68	846.24	820.24

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published); Statistic Canada.
e=estimate
*Total CHT is allocated to provinces and territories on an equal per capita basis. Total CHT includes both the estimated value of the federal tax points transferred to provinces and territories and a cash payment. CHT cash payments are determined residually, by subtracting each province's and territory's per capita transferred tax revenue from its total equal per capita entitlement.

Table A.2: Canada Social Transfer (CST) Payments by Province/Territory, 2005/06 to 2013/14

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
	(millions of dollars)													
2005/06	146	39	266	212	2,146	3,164	334	301	592	1,188	10	8	10	8,415
2006/07	146	39	269	214	2,185	3,245	339	319	500	1,214	11	9	10	8,500
2007/08	150	41	277	222	2,274	3,783	353	342	1,037	1,344	11	13	10	9,857
2008/09	160	44	296	237	2,452	4,090	381	342	1,136	1,385	11	14	10	10,560
2009/10	164	45	302	241	2,520	4,205	392	342	1,181	1,435	11	14	11	10,865
2010/11	168	47	310	246	2,590	4,332	404	349	1,219	1,485	11	14	11	11,186
2011/12	171	49	316	252	2,665	4,465	418	361	1,261	1,527	11	15	12	11,522
2012/13	173	50	322	257	2,735	4,601	429	365	1,309	1,581	11	15	12	11,861
2013/14*														12,215

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published); *Working Group on Fiscal Arrangements (2013/14 projection).
Note: Totals may not add due to rounding

Table A.3: Equalization Entitlements by Province/Territory, 2005/06 to 2013/14

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	TOTAL
					(millions of dollars)						
2005/06	861	277	1,344	1,348	4,798	0	1,601	89	0	590	10,907
2006/07	687	291	1,386	1,451	5,539	0	1,709	13	0	459	11,535
2007/08	477	294	1,465	1,477	7,160	0	1,826	226	0	0	12,925
2008/09	0	322	1,465	1,584	8,028	0	2,063	0	0	0	13,462
2009/10	0	340	1,391	1,689	8,355	347	2,063	0	0	0	14,184
2010/11	0	330	1,110	1,581	8,552	972	1,826	0	0	0	14,372
2011/12	0	329	1,167	1,483	7,815	2,200	1,666	0	0	0	14,659
2012/13	0	337	1,268	1,495	7,391	3,261	1,671	0	0	0	15,423
2013/14*											16,241

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published); *Working Group on Fiscal Arrangements (2013/14 projection).
Note: Totals may not add due to rounding

Table A.4: Territorial Formula Financing by Territory, 2005/06 to 2013/14

	NU	NT	YK	TOTAL
2005/06	821	737	501	2,058
2006/07	844	757	517	2,118
2007/08	893	843	544	2,279
2008/09	944	805	564	2,313
2009/10	1,022	864	612	2,498
2010/11	1,091	920	653	2,664
2011/12	1,175	996	705	2,876
2012/13	1,273	1,070	767	3,111
2013/14*				3,277

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published);
*Working Group on Fiscal Arrangements (2013/14 projection).
Note: Totals may not add due to rounding

Table A.5: Other Transfer Payments (includes Accords, Total Transfer Protection and CHT Protection), 2005/06 to 2012/13

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	TOTAL
					(millions of dollars)						
2005/06	189	0	31	0	0	0	0	0	0	0	219
2006/07	329	0	57	0	0	0	0	0	0	0	386
2007/08	494	0	68	0	0	0	0	0	0	0	563
2008/09	557	0	106	0	0	0	0	0	0	0	663
2009/10	465	0	254	0	0	489	0	0	0	0	1,208
2010/11	650	3	477	80	0	142	175	7	0	0	1,537
2011/12	536	0	408	150	369	0	276	0	0	0	1,739
2012/13	0	0	471	103	362	0	201	0	0	0	1,137
2013/14*											TBA

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published); *Working Group on Fiscal Arrangements (2013/14 projection).
Note: Totals may not add due to rounding

Table A.6: Total Major Federal Transfers to Provinces (including Other Payments), 2005/06 to 2012/13

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2005/06	1,539	408	2,265	2,059	11,993	10,885	2,719	1,084	2,233	4,573	854	766	533	41,909
2006/07	1,499	422	2,331	2,157	12,760	10,977	2,830	1,043	1,973	4,472	878	789	549	42,680
2007/08	1,469	430	2,449	2,210	14,680	12,184	2,991	1,324	2,821	4,409	928	880	576	47,352
2008/09	1,120	464	2,529	2,348	15,952	13,071	3,295	1,098	2,920	4,547	980	842	598	49,765
2009/10	1,079	490	2,648	2,488	16,673	14,274	3,359	1,186	3,143	4,789	1,060	905	649	52,743
2010/11	1,254	490	2,626	2,489	17,229	15,484	3,356	1,169	3,240	5,067	1,129	961	691	55,185
2011/12	1,160	495	2,651	2,492	17,258	17,406	3,364	1,219	3,400	5,304	1,215	1,039	744	57,747
2012/13	645	510	2,859	2,492	17,258	19,252	3,364	1,273	3,597	5,612	1,316	1,115	809	60,101
2013/14*														TBD

Source: Finance Canada, Federal Support to Provinces and Territories, December, 2011 (Published); *Working Group on Fiscal Arrangements (2013/14 projection).
Note: Totals may not add due to rounding

Table A.7: CHT Projected Cash Entitlements, 2014/15 to 2023/24 – December 19th Announcement (Scenario #1)

Equal per capita cash allocation beginning in 2014/15. The current 6% escalator is extended to 2016/17 followed by a GDP Escalator to 2023/24. Protection payments will be provided to ensure no jurisdiction gets less cash than it did in 2013/14.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	479.9	133.5	858.4	685.3	7,374.7	12,442.4	1,175.7	986.4	3,594.0	4,285.9	32.0	41.0	31.7	32,120.8
2015/16	484.2	140.7	902.0	719.6	7,792.0	13,198.3	1,250.3	1,046.0	3,830.8	4,552.6	32.9	43.4	33.4	34,026.1
2016/17	508.4	148.3	947.8	755.5	8,232.5	14,004.0	1,329.6	1,108.8	4,081.5	4,835.3	35.0	45.9	35.3	36,067.7
2017/18	523.8	153.7	979.3	779.9	8,551.4	14,614.3	1,390.4	1,154.7	4,275.3	5,049.8	36.4	47.6	36.6	37,593.3
2018/19	538.4	159.2	1,010.3	803.5	8,868.4	15,229.4	1,451.7	1,199.9	4,470.8	5,264.9	38.0	49.5	38.1	39,122.1
2019/20	552.2	164.7	1,041.3	827.0	9,189.9	15,857.2	1,514.3	1,245.6	4,670.0	5,484.0	39.8	51.6	39.7	40,677.4
2020/21	565.9	170.4	1,072.4	850.6	9,514.8	16,500.5	1,578.4	1,292.0	4,872.4	5,707.0	41.4	53.5	41.2	42,260.4
2021/22	579.1	176.1	1,102.9	873.5	9,838.7	17,148.2	1,642.8	1,338.3	5,075.0	5,931.0	42.6	55.0	42.3	43,845.6
2022/23	592.0	181.9	1,133.3	896.0	10,165.3	17,807.2	1,708.5	1,385.1	5,280.1	6,158.4	44.0	56.5	43.6	45,451.8
2023/24	604.8	187.9	1,164.0	918.7	10,499.3	18,486.2	1,776.3	1,433.1	5,490.5	6,391.9	45.4	58.4	44.8	47,101.2

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Note: Includes $20.7M in protection payments in 2014/15 ($19.7M to NL and $1.0M to NU).

Table A.8.A: CHT Projected Cash Entitlements, 2014/15 to 2023/24 – Budget 2007 Proposal (Scenario #2)

Equal per capita cash allocation beginning in 2014/15, implemented in the same way as was the CST move to equal per capita cash. The current 6% escalator continues to 2023/24.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	502.3	137.0	880.4	702.8	7,563.5	12,761.0	1,205.8	1,019.6	3,686.1	4,540.9	34.0	42.0	32.5	33,107.8
2015/16	502.3	144.3	925.1	738.0	7,991.6	13,536.2	1,282.3	1,072.7	3,928.9	4,669.2	34.0	44.5	34.3	34,903.5
2016/17	521.4	152.1	972.1	774.9	8,443.3	14,362.6	1,363.7	1,137.2	4,186.0	4,959.1	35.8	47.0	36.2	36,991.3
2017/18	546.4	160.3	1,021.5	813.5	8,919.3	15,243.0	1,450.2	1,204.3	4,459.3	5,267.0	38.0	49.7	38.2	39,210.8
2018/19	572.0	169.1	1,073.3	853.7	9,421.8	16,179.7	1,542.2	1,274.8	4,749.8	5,593.5	40.4	52.6	40.4	41,563.4
2019/20	598.1	178.4	1,127.8	895.8	9,953.4	17,174.8	1,640.1	1,349.1	5,058.1	5,939.6	43.1	55.9	43.0	44,057.2
2020/21	625.3	188.3	1,185.0	940.0	10,514.5	18,234.2	1,744.2	1,427.7	5,384.3	6,306.7	45.7	59.1	45.5	46,700.6
2021/22	653.8	198.8	1,245.2	986.2	11,108.2	19,360.7	1,854.8	1,511.0	5,729.8	6,696.3	48.1	62.1	47.8	49,502.7
2022/23	683.4	210.0	1,308.3	1,034.4	11,735.5	20,557.9	1,972.4	1,599.1	6,095.7	7,109.7	50.8	65.3	50.3	52,472.8
2023/24	714.2	221.9	1,374.5	1,084.9	12,398.5	21,830.1	2,097.7	1,692.3	6,483.6	7,548.1	53.7	68.9	53.0	55,621.2

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Note: Includes $185.7M in protection payments in 2014/15 ($30.3M to NL, $8.0M to SK, $142.5M to BC and $2.2M to NU) and $6.0M in 2015/16 ($5.7M to NL and $0.3M to NU).

Table A.8.B: CHT Impact/Difference – Scenario #1 (Dec 19th Announcement) vs. Scenario #2 (Budget 2007 Proposal)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	-22.4	-3.4	-22.0	-17.5	-188.8	-318.6	-30.1	-33.2	-92.0	-255.0	-2.0	-1.0	-0.8	-987.1
2015/16	-18.1	-3.6	-23.1	-18.4	-199.5	-338.0	-32.0	-26.8	-98.1	-116.6	-1.1	-1.1	-0.9	-877.4
2016/17	-13.0	-3.8	-24.3	-19.3	-210.8	-358.6	-34.0	-28.4	-104.5	-123.8	-0.9	-1.2	-0.9	-923.6
2017/18	-22.5	-6.6	-42.1	-33.6	-367.9	-628.8	-59.8	-49.7	-183.9	-217.3	-1.6	-2.0	-1.6	-1,617.4
2018/19	-33.6	-9.9	-63.0	-50.1	-553.4	-950.4	-90.6	-74.9	-279.0	-328.5	-2.4	-3.1	-2.4	-2,441.3
2019/20	-45.9	-13.7	-86.5	-68.7	-763.6	-1,317.5	-125.8	-103.5	-388.0	-455.6	-3.3	-4.3	-3.3	-3,379.8
2020/21	-59.5	-17.9	-112.7	-89.4	-999.7	-1,733.7	-165.8	-135.7	-511.9	-599.6	-4.3	-5.6	-4.3	-4,440.3
2021/22	-74.7	-22.7	-142.3	-112.7	-1,269.4	-2,212.5	-212.0	-172.7	-654.8	-765.2	-5.5	-7.1	-5.5	-5,657.1
2022/23	-91.4	-28.1	-175.1	-138.4	-1,570.3	-2,750.7	-263.9	-214.0	-815.6	-951.3	-6.8	-8.7	-6.7	-7,021.0
2023/24	-109.4	-34.0	-210.6	-166.2	-1,899.2	-3,343.9	-321.3	-259.2	-993.2	-1,156.2	-8.2	-10.6	-8.1	-8,520.0
Total	**-490.6**	**-143.8**	**-901.6**	**-714.4**	**-8,022.7**	**-13,952.7**	**-1,335.4**	**-1,098.1**	**-4,121.1**	**-4,969.2**	**-36.1**	**-44.8**	**-34.4**	**-35,865.0**

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.8.C: CHT Impact/Difference, Per Capita – Scenario #1 (Dec 19th Announcement) vs. Scenario #2 (Budget 2007 Proposal)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(dollars per capita)								
2014/15	-43.9	-23.0	-23.0	-23.0	-23.0	-23.0	-23.0	-30.3	-23.0	-53.5	-58.5	-23.0	-23.0	-27.7
2015/16	-35.3	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-32.2	-24.1	-24.1	-24.3
2016/17	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3
2017/18	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8	-43.8
2018/19	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4	-65.4
2019/20	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5	-89.5
2020/21	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3	-116.3
2021/22	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5	-146.5
2022/23	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9	-179.9
2023/24	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0	-216.0

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.9.A: CHT Projected Cash Entitlements, 2014/15 to 2023/24 – Budget 2007 Proposal with December 19th Escalator(Scenario #3)

Equal per capita cash allocation beginning in 2014/15, implemented in the same way as was the CST move to equal per capita cash. The current 6% escalator is extended to 2016/17 followed by a GDP escalator to 2023/24.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	502.3	137.0	880.4	702.8	7,563.5	12,761.0	1,205.8	1,019.6	3,686.1	4,540.9	34.0	42.0	32.5	33,107.8
2015/16	502.3	144.3	925.1	738.0	7,991.6	13,536.2	1,282.3	1,072.7	3,928.9	4,669.2	34.0	44.5	34.3	34,903.5
2016/17	521.4	152.1	972.1	774.9	8,443.3	14,362.6	1,363.7	1,137.2	4,186.0	4,959.1	35.8	47.0	36.2	36,991.3
2017/18	537.3	157.7	1,004.4	799.9	8,770.4	14,988.5	1,426.0	1,184.2	4,384.8	5,179.1	37.3	48.8	37.6	38,556.0
2018/19	552.1	163.3	1,036.2	824.1	9,095.5	15,619.4	1,488.8	1,230.7	4,585.3	5,399.8	39.0	50.8	39.0	40,123.9
2019/20	566.4	168.9	1,068.0	848.2	9,425.2	16,263.3	1,553.1	1,277.5	4,789.6	5,624.4	40.8	52.9	40.7	41,719.1
2020/21	580.4	174.8	1,099.8	872.4	9,758.5	16,923.1	1,618.8	1,325.1	4,997.1	5,853.2	42.4	54.9	42.2	43,342.6
2021/22	593.9	180.6	1,131.2	895.9	10,090.7	17,587.3	1,684.9	1,372.6	5,204.9	6,082.9	43.7	56.4	43.4	44,968.4
2022/23	607.1	186.6	1,162.3	919.0	10,425.6	18,263.2	1,752.3	1,420.6	5,415.3	6,316.1	45.1	58.0	44.7	46,615.7
2023/24	620.3	192.7	1,193.8	942.2	10,768.1	18,959.6	1,821.8	1,469.8	5,631.1	6,555.5	46.6	59.9	46.0	48,307.4

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Note: Includes $185.7M in protection payments in 2014/15 ($30.3M to NL, $8.0M to SK, $142.5M to BC and $2.2M to NU) and $6.0M in 2015/16 ($5.7M to NL and $0.3M to NU).

Table A.9.B: CHT Impact/Difference, CHT Scenario #1 (Dec 19th) vs. Scenario #3 (Budget '07 Proposal & Dec 19th Escalator)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	-22.4	-3.4	-22.0	-17.5	-188.8	-318.6	-30.1	-33.2	-92.0	-255.0	-2.0	-1.0	-0.8	-987.1
2015/16	-18.1	-3.6	-23.1	-18.4	-199.5	-338.0	-32.0	-26.8	-98.1	-116.6	-1.1	-1.1	-0.9	-877.4
2016/17	-13.0	-3.8	-24.3	-19.3	-210.8	-358.6	-34.0	-28.4	-104.5	-123.8	-0.9	-1.2	-0.9	-923.6
2017/18	-13.4	-3.9	-25.1	-20.0	-219.0	-374.2	-35.6	-29.6	-109.5	-129.3	-0.9	-1.2	-0.9	-962.7
2018/19	-13.8	-4.1	-25.9	-20.6	-227.1	-390.0	-37.2	-30.7	-114.5	-134.8	-1.0	-1.3	-1.0	-1,001.8
2019/20	-14.1	-4.2	-26.7	-21.2	-235.3	-406.1	-38.8	-31.9	-119.6	-140.4	-1.0	-1.3	-1.0	-1,041.7
2020/21	-14.5	-4.4	-27.5	-21.8	-243.7	-422.5	-40.4	-33.1	-124.8	-146.1	-1.1	-1.4	-1.1	-1,082.2
2021/22	-14.8	-4.5	-28.2	-22.4	-251.9	-439.1	-42.1	-34.3	-130.0	-151.9	-1.1	-1.4	-1.1	-1,122.8
2022/23	-15.2	-4.7	-29.0	-22.9	-260.3	-456.0	-43.8	-35.5	-135.2	-157.7	-1.1	-1.4	-1.1	-1,163.9
2023/24	-15.5	-4.8	-29.8	-23.5	-268.9	-473.4	-45.5	-36.7	-140.6	-163.7	-1.2	-1.5	-1.1	-1,206.2
Total	**-154.9**	**-41.4**	**-261.5**	**-207.7**	**-2,305.4**	**-3,976.6**	**-379.5**	**-320.1**	**-1,168.8**	**-1,519.3**	**-11.4**	**-12.9**	**-9.9**	**-10,369.3**

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.9.C: CHT Impact/Difference, Per Capita – CHT Scenario #1 (Dec 19th) vs. Scenario #3 (Budget '07 Proposal & Dec 19th Escalator)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(dollars per capita)								
2014/15	-43.9	-23.0	-23.0	-23.0	-23.0	-23.0	-23.0	-30.3	-23.0	-53.5	-58.5	-23.0	-23.0	-27.7
2015/16	-35.3	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-24.1	-32.2	-24.1	-24.1	-24.3
2016/17	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3	-25.3
2017/18	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1	-26.1
2018/19	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8	-26.8
2019/20	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6	-27.6
2020/21	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3	-28.3
2021/22	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1	-29.1
2022/23	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8	-29.8
2023/24	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6	-30.6

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.10.A: CHT Projected Cash Entitlements, 2014/15 to 2023/24 – Current Formula (Scenario #4)

Equal per capita tax plus cash and a 6% escalator to 2023/24.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	502.3	137.0	880.4	702.8	7,563.5	12,761.0	1,205.8	1,019.6	2,688.5	4,540.9	34.0	32.9	31.4	32,100.1
2015/16	528.0	144.3	924.9	737.8	7,989.4	13,532.6	1,281.9	1,080.8	2,878.2	4,823.4	36.2	35.4	33.2	34,026.1
2016/17	554.5	152.0	971.3	774.3	8,436.6	14,351.2	1,362.6	1,146.8	3,084.2	5,123.8	38.3	37.2	34.9	36,067.7
2017/18	580.8	160.2	1,020.3	812.5	8,908.8	15,225.0	1,448.5	1,214.5	3,303.8	5,443.1	40.1	38.1	36.2	38,231.7
2018/19	606.8	168.9	1,071.7	852.4	9,407.6	16,155.3	1,539.9	1,284.6	3,536.9	5,782.1	42.2	39.5	37.7	40,525.6
2019/20	633.7	178.1	1,125.7	894.1	9,934.8	17,142.6	1,637.1	1,358.9	3,787.4	6,137.9	45.0	42.0	40.1	42,957.2
2020/21	661.3	187.9	1,182.4	937.8	10,490.8	18,193.0	1,740.2	1,437.9	4,055.4	6,513.0	47.8	44.6	42.5	45,534.6
2021/22	689.9	198.3	1,241.8	983.5	11,077.5	19,307.3	1,849.7	1,522.0	4,342.2	6,911.4	50.4	47.8	44.9	48,266.7
2022/23	719.8	209.3	1,304.1	1,031.1	11,697.8	20,491.7	1,966.1	1,610.9	4,646.0	7,334.5	53.2	50.8	47.4	51,162.7
2023/24	751.2	221.1	1,369.6	1,081.0	12,354.1	21,751.9	2,090.1	1,704.6	4,965.7	7,783.5	56.0	53.7	49.8	54,232.4

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.10.B: CHT Impact/Differences – CHT Scenario #1 (December 19th Announcement) vs. Scenario #4 (Current Formula)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	-22.4	-3.4	-22.0	-17.5	-188.8	-318.6	-30.1	-33.2	905.5	-255.0	-2.0	8.1	0.3	20.7
2015/16	-43.9	-3.6	-22.8	-18.2	-197.4	-334.3	-31.7	-34.9	952.6	-270.8	-3.3	8.0	0.2	0.0
2016/17	-46.1	-3.7	-23.5	-18.7	-204.2	-347.3	-33.0	-38.1	997.3	-288.5	-3.3	8.6	0.4	0.0
2017/18	-57.0	-6.4	-40.9	-32.6	-357.3	-610.7	-58.1	-59.9	971.5	-393.3	-3.6	9.5	0.5	-638.4
2018/19	-68.4	-9.7	-61.4	-48.9	-539.2	-925.9	-88.3	-84.7	933.9	-517.2	-4.2	10.1	0.3	-1,403.6
2019/20	-81.5	-13.4	-84.4	-67.0	-744.9	-1,285.3	-122.7	-113.2	882.6	-653.9	-5.2	9.6	-0.4	-2,279.7
2020/21	-95.4	-17.5	-110.0	-87.2	-975.9	-1,692.4	-161.9	-145.9	816.9	-805.9	-6.4	8.9	-1.4	-3,274.2
2021/22	-110.9	-22.2	-138.9	-110.0	-1,238.8	-2,159.1	-206.8	-183.7	732.8	-980.4	-7.7	7.2	-2.6	-4,421.1
2022/23	-127.8	-27.4	-170.8	-135.1	-1,532.5	-2,684.5	-257.6	-225.8	634.1	-1,176.1	-9.2	5.7	-3.9	-5,710.9
2023/24	-146.4	-33.2	-205.6	-162.3	-1,854.8	-3,265.7	-313.8	-271.6	524.7	-1,391.6	-10.6	4.6	-5.0	-7,131.2
Total	**-799.8**	**-140.4**	**-880.4**	**-697.6**	**-7,833.8**	**-13,624.0**	**-1,304.0**	**-1,191.0**	**8,351.9**	**-6,732.7**	**-55.5**	**80.4**	**-11.5**	**-24,838.4**

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.10.C: CHT Impact/Differences, Per Capita – CHT Scenario #1 (December 19th Announcement) vs. Scenario #4 (Current Formula)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
							(dollars per capita)							
2014/15	-43.9	-23.0	-23.0	-23.0	-23.0	-23.0	-23.0	-30.3	226.8	-53.5	-58.5	177.3	8.1	0.6
2015/16	-85.4	-23.9	-23.9	-23.9	-23.9	-23.9	-23.9	-31.4	234.5	-56.1	-93.3	174.2	5.5	0.0
2016/17	-89.5	-24.5	-24.5	-24.5	-24.5	-24.5	-24.5	-33.9	241.4	-59.0	-94.0	186.3	11.1	0.0
2017/18	-110.7	-42.5	-42.5	-42.5	-42.5	-42.5	-42.5	-52.8	231.3	-79.3	-101.9	203.0	12.6	-17.3
2018/19	-133.2	-63.7	-63.7	-63.7	-63.7	-63.7	-63.7	-73.9	218.8	-102.9	-115.0	212.7	9.3	-37.6
2019/20	-158.9	-87.3	-87.3	-87.3	-87.3	-87.3	-87.3	-97.9	203.5	-128.4	-140.0	201.0	-10.5	-60.4
2020/21	-186.6	-113.5	-113.5	-113.5	-113.5	-113.5	-113.5	-125.0	185.5	-156.3	-171.1	183.3	-36.4	-85.7
2021/22	-217.4	-143.0	-143.0	-143.0	-143.0	-143.0	-143.0	-155.9	164.0	-187.7	-206.1	149.2	-69.6	-114.5
2022/23	-251.5	-175.6	-175.6	-175.6	-175.6	-175.6	-175.6	-189.9	139.9	-222.4	-242.7	117.8	-103.6	-146.3
2023/24	-289.2	-211.0	-211.0	-211.0	-211.0	-211.0	-211.0	-226.3	114.1	-260.0	-278.0	95.0	-132.7	-180.8

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.11: CST Projected Entitlements, 2014/15 to 2023/24 – Scenario #1 (December 19th Announcement)

Current formula and escalator continue to 2023/24.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	180.4	52.3	336.5	268.6	2,890.5	4,876.8	460.8	386.6	1,408.7	1,679.9	12.2	16.1	12.4	12,581.7
2015/16	184.4	53.6	343.5	274.1	2,967.7	5,026.7	476.2	398.4	1,459.0	1,733.9	12.5	16.5	12.7	12,959.2
2016/17	188.1	54.9	350.8	279.6	3,046.7	5,182.6	492.1	410.3	1,510.5	1,789.5	12.9	17.0	13.1	13,348.0
2017/18	191.6	56.2	358.2	285.2	3,127.4	5,344.6	508.5	422.3	1,563.6	1,846.8	13.3	17.4	13.4	13,748.4
2018/19	194.9	57.6	365.7	290.8	3,210.1	5,512.5	525.4	434.3	1,618.3	1,905.7	13.8	17.9	13.8	14,160.8
2019/20	198.0	59.1	373.4	296.6	3,295.2	5,685.9	543.0	446.6	1,674.5	1,966.4	14.3	18.5	14.2	14,585.7
2020/21	201.2	60.6	381.2	302.4	3,382.4	5,865.8	561.1	459.3	1,732.1	2,028.8	14.7	19.0	14.6	15,023.2
2021/22	204.4	62.2	389.2	308.3	3,472.3	6,051.9	579.8	472.3	1,791.1	2,093.2	15.0	19.4	14.9	15,473.9
2022/23	207.6	63.8	397.4	314.2	3,564.6	6,244.3	599.1	485.7	1,851.5	2,159.5	15.4	19.8	15.3	15,938.2
2023/24	210.8	65.5	405.7	320.2	3,659.3	6,443.0	619.1	499.5	1,913.6	2,227.8	15.8	20.3	15.6	16,416.3

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.12: CST Projected Entitlements, 2014/15 to 2023/24 – Scenario #2 (CST on Same Growth Track as Other Transfers)

Continue the current 3% escalator to 2016/17 and then apply the same GDP growth escalator that is used for CHT and Equalization thereafter.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	180.4	52.3	336.5	268.6	2,890.5	4,876.8	460.8	386.6	1,408.7	1,679.9	12.2	16.1	12.4	12,581.7
2015/16	184.4	53.6	343.5	274.1	2,967.7	5,026.7	476.2	398.4	1,459.0	1,733.9	12.5	16.5	12.7	12,959.2
2016/17	188.1	54.9	350.8	279.6	3,046.7	5,182.6	492.1	410.3	1,510.5	1,789.5	12.9	17.0	13.1	13,348.0
2017/18	193.9	56.9	362.4	288.6	3,164.7	5,408.5	514.6	427.3	1,582.2	1,868.8	13.5	17.6	13.6	13,912.6
2018/19	199.2	58.9	373.9	297.4	3,282.0	5,636.1	537.2	444.1	1,654.5	1,948.5	14.1	18.3	14.1	14,478.3
2019/20	204.4	61.0	385.4	306.1	3,401.0	5,868.5	560.4	461.0	1,728.3	2,029.5	14.7	19.1	14.7	15,053.9
2020/21	209.4	63.1	396.9	314.8	3,521.3	6,106.5	584.1	478.1	1,803.2	2,112.1	15.3	19.8	15.2	15,639.8
2021/22	214.3	65.2	408.2	323.3	3,641.1	6,346.2	608.0	495.3	1,878.2	2,195.0	15.8	20.4	15.7	16,226.4
2022/23	219.1	67.3	419.4	331.6	3,762.0	6,590.1	632.3	512.6	1,954.1	2,279.1	16.3	20.9	16.1	16,820.8
2023/24	223.8	69.5	430.8	340.0	3,885.6	6,841.4	657.4	530.4	2,031.9	2,365.5	16.8	21.6	16.6	17,431.3

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.12.B: CST Impact/Differences – CST Scenario #1 (current) vs. Scenario #2 (Nominal GDP Growth Starting in 2017/18)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(millions of dollars)								
2014/15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015/16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016/17	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2017/18	-2.3	-0.7	-4.3	-3.4	-37.3	-63.8	-6.1	-5.0	-18.7	-22.1	-0.2	-0.2	-0.2	-164.2
2018/19	-4.4	-1.3	-8.2	-6.5	-72.0	-123.6	-11.8	-9.7	-36.3	-42.7	-0.3	-0.4	-0.3	-317.5
2019/20	-6.4	-1.9	-12.0	-9.5	-105.8	-182.5	-17.4	-14.3	-53.8	-63.1	-0.5	-0.6	-0.5	-468.3
2020/21	-8.3	-2.5	-15.6	-12.4	-138.8	-240.7	-23.0	-18.8	-71.1	-83.3	-0.6	-0.8	-0.6	-616.5
2021/22	-9.9	-3.0	-18.9	-15.0	-168.9	-294.3	-28.2	-23.0	-87.1	-101.8	-0.7	-0.9	-0.7	-752.5
2022/23	-11.5	-3.5	-22.0	-17.4	-197.4	-345.8	-33.2	-26.9	-102.5	-119.6	-0.9	-1.1	-0.8	-882.7
2023/24	-13.0	-4.0	-25.1	-19.8	-226.2	-398.3	-38.3	-30.9	-118.3	-137.7	-1.0	-1.3	-1.0	-1,015.0
Total	**-55.7**	**-16.9**	**-106.1**	**-84.0**	**-946.4**	**-1,649.1**	**-158.0**	**-128.7**	**-487.7**	**-570.3**	**-4.1**	**-5.3**	**-4.1**	**-4,216.6**

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.12: CST Impact/Differences – CST Scenario #1 (current) vs. Scenario #2 (Nominal GDP Growth Starting in 2017/18)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	NU	NT	YK	TOTAL
						(dollars per capita)								
2014/15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015/16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016/17	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2017/18	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4
2018/19	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5
2019/20	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4	-12.4
2020/21	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1
2021/22	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5	-19.5
2022/23	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6	-22.6
2023/24	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7	-25.7

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.13: Equalization Projected Entitlements, 2014/15 to 2018/19, December 19th Announcement vs. 2007 Program

	December 19th Announcement	2007 Program
	(millions of dollars)	
2014/15	17,061	20,195
2015/16	17,905	21,110
2016/17	18,706	21,977
2017/18	19,497	22,868
2018/19	20,290	23,792

Source: Finance Canada; Statistics Canada; Conference Board of Canada; Working Group on Fiscal Arrangements

Table A.14: Territorial Formula Financing (TFF), Projected Entitlements, 2014/15 to 2018/19, December 19th Announcement;

	NU	NT	YK	TOTAL
	(millions of dollars)			
2014/15	1,408	1,149	847	3,405
2015/16	1,449	1,174	870	3,493
2016/17	1,488	1,203	894	3,586
2017/18	1,536	1,239	925	3,699
2018/19	1,590	1,279	957	3,825

Source: Finance Canada; Statistics Canada; Conference Board of Canada
Working Group on Fiscal Arrangements

Appendix 3

Figure 5.1: Projected population, as of July 1, Canada, provinces and territories, annual (in thousands)

	2014				2024				10 year growth	
	65 to 79		80+		65 to 79		80+		65 to 79	80+
	(000s)	share* (%)	(000s)	share* (%)	(000s)	share* (%)	(000s)	share* (%)	(%)	(%)
NL	72.4	14.4%	20.0	4.0%	101.2	20.4%	28.2	5.7%	39.8%	41.0%
PE	19.4	13.3%	6.7	4.6%	26.9	17.3%	9.1	5.8%	38.7%	35.8%
NS	130.5	13.8%	43.5	4.6%	180.3	18.6%	56.7	5.9%	38.2%	30.3%
NB	103.4	13.7%	35.5	4.7%	145.3	19.0%	46.5	6.1%	40.5%	31.0%
QC	1,027.3	12.6%	361.7	4.4%	1,432.2	16.3%	481.4	5.5%	39.4%	33.1%
ON	1,539.2	11.1%	573.3	4.1%	2,224.4	14.3%	739.2	4.8%	44.5%	28.9%
MB	134.5	10.5%	55.6	4.4%	191.3	13.8%	64.1	4.6%	42.2%	15.3%
SK	114.3	10.9%	50.8	4.9%	163.8	15.1%	55.3	5.1%	43.3%	8.9%
AB	355.2	8.7%	125.5	3.1%	595.6	12.3%	175.4	3.6%	67.7%	39.8%
BC	573.3	12.0%	210.4	4.4%	842.6	15.6%	276.8	5.1%	47.0%	31.6%
YK	3.5	10.0%	0.7	2.0%	6.3	16.8%	1.2	3.2%	80.0%	71.4%
NT	3.0	6.6%	0.7	1.5%	5.4	11.1%	1.4	2.9%	80.0%	100.0%
NU	1.4	4.1%	0.1	0.3%	2.6	6.8%	0.4	1.1%	85.7%	300.0%
CA	4,077.1	11.4%	1,484.4	4.2%	5,918.0	15.0%	1,936.1	4.9%	45.2%	30.4%

Source: Source: http://www5.statcan.gc.ca/cansim/results/cansim6257097521319214915.csv (M4 projection scenario).
* Share of total (all ages) population

Figure 5.2: Canada's Aboriginal Population in 2006, by Province/Territory

	Total Aboriginal Population			Aboriginal Population Living off-Reserve[1]		
	Population	Distribution	Proportion[2]	Population	Distribution	Proportion[3]
NL	23,455	2.0%	4.7%	22,015	2.5%	4.4%
PE	1,730	0.1%	1.3%	1,330	0.2%	1.0%
NS	24,175	2.1%	2.7%	16,195	1.8%	1.8%
NB	17,650	1.5%	2.5%	10,650	1.2%	1.5%
QC	108,425	9.2%	1.5%	74,620	8.5%	1.0%
ON	242,495	20.7%	2.0%	194,980	22.3%	1.6%
MB	175,395	15.0%	15.5%	118,630	13.5%	11.0%
SK	141,890	12.1%	14.9%	92,875	10.6%	10.3%
AB	188,365	16.1%	5.8%	147,090	16.8%	4.6%
BC	196,075	16.7%	4.8%	145,020	16.6%	3.6%
YK[1]	7,580	0.6%	25.1%	7,580	0.9%	25.1%
NT[1]	20,635	1.8%	50.3%	20,340	2.3%	49.9%
NU	24,915	2.1%	85.0%	24,920	2.8%	85.0%
CA[1]	**1,172,785**	**100.0%**	**3.8%**	**876,245**	**100.0%**	**2.8%**

Source: Statistics Canada, Census 2006 – Aboriginal Identity Population

1. The definition used by Statistics Canada for the 2006 Census for on- and off-reserve populations is incorrect for the Yukon and Northwest Territories. The information in the table has been adjusted to reflect this issue.
2. Aboriginal population share of the total population
3. Aboriginal population living off-reserve share of total population living off-reserve.