



Fiscal Arrangements

HALIFAX, July 27, 2012 - In January 2012, Premiers appointed a working group of provincial and territorial Finance Ministers, to be led by Manitoba Premier Greg Selinger, to assess the impact of the proposed changes by the federal government to major transfers to provinces and territories.

At their summer meeting in Halifax, Nova Scotia, Premiers discussed the results of the analysis by the Fiscal Arrangements Working Group. The report shows that:

- For health, the federal government's Canada Health Transfer (CHT) will be reduced by almost \$36 billion, in total, over the 10-year period from 2014/15 to 2023/24 compared to the arrangements currently in place. This will bring the federal share of health care costs to less than 20 per cent, compared to about 50 per cent originally.
- In the shorter term, the 5-year period from 2014/15 to 2018/19, provinces and territories will receive, in total, about \$23 billion less than under the current arrangements, with the CHT accounting for about \$7 billion of the reduction and Equalization accounting for about \$16 billion. The Working Group did not estimate Equalization implications beyond 2018/19.

With the global economic recovery still fragile, Premiers highlighted the efforts all governments are undertaking to ensure fiscal responsibility, while working to protect and sustain Canadians' essential public services, including health care, education, and social services. Premiers stressed the need for the federal government to meaningfully consult provinces and territories before making changes to the major federal transfer programs that support fiscal federalism.

Premier Selinger, Alberta Premier Alison Redford and New Brunswick Premier David Alward will chair a meeting of provincial and territorial Finance Ministers in Fall 2012 to continue discussions on options for fiscal arrangements which meet the principles outlined by Premiers at their January 2012 meeting. Those principles are:

- to find solutions that work for the benefit of all Canadians in all provinces and territories;
- 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;
- that no jurisdiction should be made worse off; and
- that Canada's fiscal arrangements should be a win-win for all Canadians regardless of where they live.

Premiers will work on proposals to modernize fiscal arrangements. They stressed the need for formal discussions between federal, provincial and territorial governments before modifications are made to any of the major federal transfer programs, as these constitute the pillars of Canadian fiscal federalism.

- 30 -

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