Table VII-3

Estimated and projected costs of equalizing 30 per cent of all
natural resource revenues, 1981-82 and 1986-87

($ millions)

Fiscal Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	TOTAL
1981-82 (Estimate)*	35.0	11.8	76.0	56.9	532.1	733.7	84.5	−143.9	−1,380.9	− 5.3	1,530.0
1986-87 (Projected)**	75.9	28.8	181.0	143.1	1,227.5	1,765.4	200.9	− 65.0	−3,463.1	−94.5	3,622.6

* The estimates do not take account of the effect of the one-third ceiling and of the personal income override.
** Projections based upon data available as of federal budget, October 1980 and, in the case of shared revenues from the federal export charge on oil, as of January 1981.

Source: Federal Department of Finance.

tions associated with this issue, the Task Force has set out the alternative described above as a suggestion that we feel should be examined by experts rather than as a firm recommendation. In our view, the merit of this alternative lies in the fact that it minimizes arbitrary judgements on the part of policy makers. Therefore, what is important in the proposed solution is not so much its technical aspects as the sense of direction it provides.

Another possible solution might be to bring in all categories of resource revenues as revenues to be equalized, with all the existing bases as at present, but scaling down these revenues arbitrarily, but uniformly, by some appropriate percentage—say, 25 or 30 per cent. Table VII-3 shows the cost of equalizing 30 per cent of all resource revenues in 1981-82 and in 1986-87. The total estimated cost of $1,530 million for 1981-82 does not take account of the one-third ceiling on resource revenues and of the personal income override. If the current method of computing equalization associated with resource revenues were applied, but the personal income override did not apply, the total estimated cost for 1981-82 would be $1,994.2 million.

Table VII-4 shows the estimated cost for fiscal year 1980-81 of the equalization program under different assumptions as to the revenues included in the formula, and as to the base under which resource revenues might be equalized. The table shows that the effect of including municipal property taxes in the formula would be to increase equalization payments by some $352 million. But if instead of equalizing resource revenues as we currently do (the effects of this are shown on line 5), we were to equalize 25 per cent of all resource revenues while retaining the bases currently being

used to equalize those revenues, the equalization associated with resource revenues would decrease from $1,069.7 million (total of line 5) to $564.6 million (total of line 3). Alternatively, if we were to equalize 100 per cent of natural resource revenues under the base currently used to equalize revenues from business income, the equalization associated with resource revenues would be reduced to $493.7 million (total of line 4). The purpose of line 4 in the table is to illustrate the dramatic effect of switching from the current bases used to equalize resource revenues to a base that is more evenly distributed across the provinces. Although the Task Force does not believe that the base currently used to equalize revenues from business income is adequate to equalize resource revenues, we do believe that a version of that base that would give some significant weight to resource revenues would likely prove adequate. (The greater the weight of resource revenues in the base, the less evenly distributed it would be and, hence, the greater the resulting equalization would be.)

The Personal Income Override

A special provision to the effect that no equalization may be paid to a province with a personal income per capita above the Canadian average was introduced in the equalization formula in 1981. This had the effect of excluding Ontario from receiving equalization.

This measure constitutes an arbitrary element in the equalization formula. It was introduced to protect the federal government at a time of expenditure restraint. It was done mid-term in fiscal