

provincial sources of revenue. While Mr. Johnson did not state explicitly that provinces have unduly redirected the PSE portion of the fiscal transfers, he did state: "There is the fact that the PSE fiscal transfers finance a larger percentage of provincial grants to universities and colleges in some provinces than they do in others."⁸ Mr. Johnson then proposed that in any future arrangement, those provinces that have been the greatest culprits of this redirection should be penalized. He based his proposal for redirection on the assumption that the federal transfers in respect of post-secondary education is 32.1 per cent of the total EPF transfer; this had been the portion for post-secondary education in the base year 1975-76. The Honourable Allan J. MacEachen, when he was Minister of Finance, indicated that "from the point of view of a particular province, these ratios are somewhat arbitrary and, over time, become less closely related to actual provincial spending in the relevant program areas."⁹

The Honourable Mr. MacEachen's statement implies today that if the provinces have been redirecting these federal transfers, the extent to which they have been doing so cannot be stated as precisely as has been attempted by Mr. Johnson. Furthermore, even if Mr. Johnson's reading of the situation is accurate, the provinces have acted within their legal rights as prescribed under the EPF legislation. As the Honourable Marc Lalonde stated on December 13, 1976:

... any savings that can be generated by reducing the services would accrue totally to the provinces and would not be shared by the Federal Government since our contribution under Established Programs would not be directly related to program costs.¹⁰

It would seem that while the provinces are not bound by any provisions in EPF to provide a specific level of financial support to their colleges and universities, their commitment to higher education, measured in money provided, for the most part appears to have been somewhat low. Quebec alone has continued to keep up the expenditure of money on post-secondary education; other provinces such as British Columbia have given post-secondary education a very low priority. **The Committee does not support the action of any province in redirecting money transferred to it in respect of post-secondary education despite the legal right of each province to do so. However, we believe that there should be no retroactive penalty for such action.**

⁸. A.W. Johnson, *Giving Greater Point and Purpose to the Federal Financing of Post-Secondary Education and Research in Canada: A Report Prepared for the Secretary of State of Canada*, (Ottawa, May 13, 1985), p. 29. We refer to this as the Johnson Report. Mr. Johnson served as special advisor to the secretary of state on the financing of post-secondary education.

⁹. MacEachen, p. 84.

¹⁰. As reported in MacEachen, p. 80.