

Conclusions

The Task Force thus sees the development of the equalization program over the next five years as being very much an extension of its present scale and structure, with the major developments in revenue-sharing or recycling of resource revenues taking place outside the framework of equalization payments *per se*, and instead forming part of the overall division of responsibilities in resource ownership, pricing and economic development.

Certain adjustments within the present representative tax system approach must be considered, however. Although the Task Force does not propose to offer firm recommendations in this technical area (any more than in other areas of specific short-term budgetary analysis), we do urge further work on some possibilities to the exclusion of others. These have been indicated in the preceding sections.

The Task Force concludes that the basic features of the equalization program should be maintained. The various adjustments recommended in the foregoing paragraphs do not involve radical changes. They are very much in line with the principles and assumptions underlying the current formula. Indeed, they are meant to make those principles and assumptions more relevant to its actual functioning. The Task Force has no

doubt that this formula, which has been in place since 1967, has served Canada well and that the changes made to it in recent years have preserved, rather than impaired, its validity. Our recommendations should be perceived as an attempt at 'fine-tuning' the current formula, and certainly not as a criticism of what has been done in the recent past. In fact, the Task Force believes that the revised formula should have as its result in 1982-83 neither a reduction nor a substantial increase in the overall level of entitlements. (This assumes that all municipal tax revenues would be included in the formula.)

In concluding, the Task Force recognizes that some of the adjustments recommended in this chapter could have the effect of reducing the entitlements of one or two particular provinces whose budgeting is predicated on the assumption that their entitlements will not be reduced. *We therefore recommend that*

if any province whose equalization entitlement in 1981-82 is more than \$5 per capita sees its equalization entitlement reduced by more than 5 per cent as a result of the implementation of a revised formula, it should continue to receive 95 per cent of its 1981-82 entitlement until 1984-85 or until the formula yields more than 95 per cent of its 1981-82 entitlement, whichever comes sooner.

Notes (Chapter VII)

¹ T. Courchene, *Refinancing the Canadian Federation* (C.D. Howe Institute, 1979), p. 49.

² Ontario, *The Ontario Budget, 1981*, Budget Paper B.