

program on the ground that the provincial governments had had sufficient time to adjust to the new tax system. Because of the intensity of provincial reactions, the federal government agreed to include the equivalent of two personal income tax points in the EPF arrangements (one extra point plus the equivalent in cash). This compensation was ascribed to post-secondary education and health, in the standard ratio of 32.1 to 67.9 respectively.

When terminating the revenue guarantee compensation payments in 1982, the federal government argued that the provinces had had ten years to adjust to the new tax bases and that the payments, although made through the EPF scheme, were never intended as part of the federal contribution for the established programs. Table 2.6 below shows the magnitude of these revenue guarantee compensation payments.

Table 2.6
Compensation Paid to All Provinces by the Federal Government
for Termination of Revenue Guarantee
1977-78 to 1981-82
(\$ millions)

77-78	78-79	79-80	80-81	81-82	Total
451	513	581	657	740	2,352

Source: Federal Provincial Relations Division, Department of Finance.

Over the five-year life of the revenue guarantee compensation, approximately \$2.4 billion was paid out; it is not surprising therefore that the provincial governments were upset by its termination. The revenue guarantee (1972-1977) and the revenue guarantee compensation (1977-1982) had come to be regarded by some provincial governments as a permanent feature; its termination was seen as an attempt by the federal government to reduce the federal deficit at the expense of the provincial governments.

Changes to EPF: 1984

In 1984, with the passage of Bill C-12, *An Act to amend the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977*, the government applied its "6 & 5" program to the post-secondary component of EPF for 1983-84 and 1984-85. To do this, the post-secondary education portion of the cash and tax points had