

government. But if the details of the scheme are closely examined, it will be seen that we have given nothing to the local bodies which did not necessarily belong to the localities, except education and the rights of property, and the civil law, which we were compelled to leave to the local governments, in order to afford that protection which the Lower Canadians claim for their language and their laws, and their peculiar institutions.<sup>6</sup>

### **Established Programs Financing: 1977**

A succinct description of the EPF section of the *Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977* was given by the Honourable Allan J. MacEachen, Minister of Finance, in his 1981 submission to the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements (Breau Task Force). He said:

... the EPF arrangements came into effect on April 1, 1977. Under these arrangements, federal contributions to the provinces for the three 'established' programs — Hospital Insurance, Medicare and Post-Secondary Education — are no longer tied to provincial expenditures on the basis of 50:50 cost-sharing formulae. Rather, federal contributions in a base year (1975-76) are escalated by the rate of growth of GNP.

... the federal contribution under the EPF arrangements is in the form of cash payments and tax transfers. The tax transfer under the EPF arrangements consists of 13.5 personal and one corporate income tax points. These are equalized to the national average under the general equalization formula. The cash payments consist of 'basic cash' contributions and 'transitional adjustments'. The 'basic cash' portion is calculated by taking 50 per cent of the federal contributions under the three 'established' programs in 1975-76, and escalating them by the rate of growth of GNP. The 'basic cash' contributions are intended to provide for stable, long-term funding and for continued federal presence. The 'transitional adjustments' top up the value of the tax transfer to ensure that no province loses as a result of accepting part of the federal contribution in the form of a tax transfer.<sup>7</sup>

The cash payments were made and continue to be made to provinces by the two program departments, the Department of the Secretary of State and the Department of Health and Welfare. In 1977, the Secretary of State paid out 32.1 per cent of the basic cash, while Health and Welfare paid out the remaining 67.9 per cent. Table 2.2 shows the tax point and cash values of the fiscal transfers in respect of health and post-secondary education.

<sup>6</sup> As quoted in Whelan, p. 196-197.

<sup>7</sup> Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, *Fiscal Federalism in Canada* (Ottawa: Minister of Supply and Services, 1981), p. 68. (Hereafter referred to as the Breau Report.)