

that would form the basis of future federal financial support for health and post-secondary education:

1. The federal government should continue to pay a substantial share of program costs.
2. There should be greater equality between provinces in the transfers, i.e., equal per capita rather than the varying amounts under the shared-cost arrangements.
3. Financing should be more stable (for both federal and provincial governments) through more permanent arrangements.
4. The provinces should have flexibility in the use of the money provided for the fields of health and post-secondary education.
5. Continuing joint policy discussions should exist in the health and post-secondary education fields.⁵

It was proposed that the total value of per capita federal contributions in a base year, 1975-76, be escalated at the rate of growth of GNP per capita (three-year moving average) to establish a national per capita base contribution for 1977-78 and for each successive fiscal year. An additional \$20 per capita was provided, beginning in 1977-78, to assist in financing Extended Health Care services. This too was to be escalated at the same rate of growth of GNP per capita. In the penultimate year before the introduction of EPF, 1975-76, the total federal contribution for the established programs — post-secondary education, medical services and extended health care — was divided as follows: 32.1 per cent for post-secondary education and 67.9 per cent for all health services.

During the negotiations it was agreed that those provinces receiving less than the national average under the old program on a per capita basis would be levelled up to the national average over a three-year period. Provinces that received more than this national average were to be levelled down to the national average over a five-year period.

The federal contribution to each province for the established programs would consist of cash and income tax room (tax points) vacated by the federal government (12.5 personal income tax points and one point of corporate tax). In the final stages of negotiations the overall EPF transfer was increased, until 1982, by one personal income tax point plus an equivalent amount in cash as compensation for the termination of the revenue guarantee payments. These revenue

⁵ The Honourable Allan J. MacEachen, *Federal-Provincial Fiscal Arrangements in the Eighties: A Submission to the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements*, (Department of Finance, April 23, 1981), pp. 79-80.