

ASPIRE

TO A STRONGER, SAFER, BETTER CANADA



CANADA'S NEW GOVERNMENT

Restoring Fiscal Balance for a Stronger Federation

MARCH 19, 2007

Canada 

“The first step to making Canada even better tomorrow is to restore the fiscal balance in this country today.”

*The Honourable Jim Flaherty, Minister of Finance
The Budget Speech
March 19, 2007*

INTRODUCTION

Canada's New Government has restored fiscal balance so that all governments in Canada have the financial resources and clarity of purpose they need to deliver results on priorities that matter to Canadians:

- Modern, universally accessible health care.
- Environmental protection and preservation.
- High-quality education and training.
- Modern infrastructure.
- Child care and social services.

Since the mid-1990s, there have been concerns about fiscal balance in Canada—and the resulting tension among governments has undermined their ability to work effectively together in these important areas.

In Budget 2007, Canada's New Government is following through on its commitment to address these concerns by providing over \$39 billion over the next seven years to support a comprehensive plan that restores fiscal balance.

GROWING SUPPORT TO PROVINCES AND TERRITORIES

Budget 2007 puts transfers on a stable and predictable seven-year legislated track to 2013–14.

Equalization

Equalization provides federal funding to the less prosperous provinces so that all Canadians can receive comparable services at comparable levels of taxation.

Budget 2007 acts on the recommendations of the independent Expert Panel on Equalization and Territorial Formula Financing to restore fairness and predictability to this important program by:

- Providing more than \$12.7 billion in 2007–08, a \$1.5-billion increase over 2006–07.
- Ensuring future payments will be formula-driven and respond to trends in fiscal disparities among provinces.
- Respecting existing agreements and ensuring no province will be worse off as a result of the transition to the new system.

Territorial Formula Financing (TFF)

TFF is similar in intent to Equalization, but reflects the higher costs of providing services in Canada's north.

Budget 2007 acts on the Expert Panel's recommendations in this area as well:

- Providing \$2.2 billion in 2007–08, or an increase of about \$115 million over payments made in 2006–07.
- Future payments will be formula-driven and recognize the different circumstances in each of the three territories.
- Reflects the Government's commitment to the ongoing development of the north.

The return to fiscal balance also involves strengthening the health and social transfers that are distributed to provinces and territories on an equal per capita basis.

The strengthened Equalization and TFF will eliminate the need for “backdoor Equalization” and move transfers to a fair, per capita basis.

DID YOU KNOW...

- Equalization and Territorial Formula Financing comprise only about a third of total federal cash transfers to provinces and territories?

CANADA SOCIAL TRANSFER

Canada’s New Government will boost the Canada Social Transfer by \$700 million in 2007 to help all Canadians obtain comparable levels of education and social services, no matter where they live. The Canada Social Transfer:

- Provides \$9.5 billion in 2007–08, or an increase of nearly \$1 billion over payments made in 2006–07.
- Includes a new \$800 million, beginning in 2008–09, in annual support for post-secondary education and \$250 million a year for the creation of new child care spaces.
- Will continue to grow by 3 per cent annually to reach \$12.2 billion in 2013–14 from its current level of \$8.5 billion.

CANADA HEALTH TRANSFER

Canadians cherish the universality of our health care system, and aspire to strengthen it. The Canada Health Transfer:

- Supports the provincial and territorial delivery of health care.
- Provides \$21.3 billion in 2007–08, or an increase of more than \$1.2 billion over payments made in 2006–07.
- Will continue to grow by 6 per cent annually to reach \$30.3 billion in 2013–14 from its current level of \$20.1 billion.

Other targeted areas of federal financial support will also be strengthened...

Labour Market Training

Canadians should be able to get the job training they need. To help people get the skills they require, Budget 2007 provides new funding of \$500 million annually starting in 2008–09, to be delivered by the provinces and territories.

Infrastructure

Budget 2007 will make an additional investment of more than \$16 billion for infrastructure. Together with Budget 2006, this provides \$33 billion to provinces, territories and municipalities for infrastructure over the next seven years.

Canada ecoTrust for Clean Air and Climate Change

Budget 2007 provides more than \$1.5 billion in the Canada ecoTrust for Clean Air and Climate Change to support major projects with the provinces and territories.

The Tax Back Guarantee

The Tax Back Guarantee, which will be legislated with Budget 2007, directs over \$1 billion a year in debt interest savings to personal income tax reductions.

FOSTERING CLARITY, ACCOUNTABILITY, COLLABORATION AND RESPECT

Budget 2007 acts to clarify roles and responsibilities in the following ways:

- Federal transfers reformed to clarify their purpose and federal contribution.
- Spending will be limited to areas of core federal responsibility.
- New cost-shared programs in areas of provincial responsibility must have the consent of most provinces.
- Provinces and territories can opt out of these programs if they offer comparable ones.

A STRONGER ECONOMIC UNION

The return to fiscal balance means a stronger economic union. Yet more can be done, which is why Canada’s New Government will move forward with the provinces and territories in this new spirit of open federalism to build an even stronger economic union.

“The long, tiring, unproductive era of bickering between the provincial and federal governments is over.”

*The Honourable Jim Flaherty, Minister of Finance
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How Can I Get More Information on Budget 2007?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)

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