

received revenue equivalent to the fiscal burden it assumed. The federal government undertook to: abate by a specified percentage the individual income tax on the income of residents of the province; pay associated equalization; and make an operating cost adjustment. The operating cost adjustment payment or recovery was to ensure that a province did not suffer or benefit financially through assuming the financing of the federal share of the former joint program. Because of their smaller size and lack of continuity, the compensation associated with a Schedule II program did not provide for federal tax abatement or associated equalization payments. Compensation for these programs was to be paid directly to the province by the federal Minister of Finance.

The freedom of a province to vary the nature and condition of a program enumerated in the Established Programs (Interim Arrangements) Act differed between the Schedule I and Schedule II programs. Under the Act, a supplemental agreement with respect to a Schedule I program could vary the conditions of the original agreement only as to the manner in which Canada would contribute to the program and the manner in which accounts were submitted. A supplemental agreement for a Schedule II program might require the program to be continued as in the original authority or it might allow a province to substitute a provincial program having substantially similar objectives.

The Established Programs (Interim Arrangements) Act was designed to provide for an interim period during which a province might assume greater administrative and financial responsibility for the enumerated programs and during which time more permanent arrangements governing joint programs might be devised. The length of the interim period was set out in the Act for each program and varied from March 31, 1967 to December 31, 1970. The tax abatement associated with Schedule I programs was also set out in the Act and varied from 1% for the health grant program to 14% for hospital insurance.

Quebec alone availed itself of the provisions of the above legislation. At the federal-provincial meetings in September and October 1966, the federal government offered the provinces revised and more permanent arrangements. The federal government proposed to abate, for the period 1967-70, 17% of the personal income tax in those provinces that would take over the financial responsibility for the hospital insurance, special welfare (i.e., Canada Assistance Plan) and health grant programs. To ensure fiscal equity, equalization and operating cost adjustment payments were to be associated with the abatement. As the technical and vocational program was being discontinued in its existing form, the offer did not apply to that program. These proposals were offered again at the November 4-5, 1968 meeting of the Ministers of Finance and Provincial Treasurers. No province took up the offer. As a consequence, the length of the interim period of the Established Programs (Interim Arrangements) Act for the hospital insurance and special welfare program was extended in 1972 to December 31, 1977 and March 31, 1977, respectively. The interim period for the health grants program was not extended beyond March 31, 1972 as this program was being phased out. Also tax abatement points associated with the hospital insurance program were raised in 1972 to 16 points and with the special welfare program to five points. The increase was occasioned by the reassignment of the one point associated with the defunct health grants program and conversion of the tax points under the pre-1972 Income Tax Act to points of the same approximate value when the latter was revised in 1972.

20.4 Provincial government finance

Provincial government accounting and reporting practices vary considerably so that adjustments to the provincial public accounts figures are required in order to produce comparable statistics. For example, financial data relating to specific functions are sometimes excluded from the ordinary or current accounts of certain provinces; therefore the transactions of special or administrative funds under which these functions are carried out must be consolidated with the provincial accounts to produce statistics comparable to those of the other provinces.

In 1971, Statistics Canada changed its presentation of the financial position of provincial and territorial governments. Data presented here are not comparable with data given in the 1972 *Canada Year Book* as new concepts of provincial indebtedness have been developed. Further information may be obtained from *Provincial government finance, assets, liabilities, and sources and uses of funds* (Catalogue No. 68-209).