

federal contributions to the programs in respect of hospital and diagnostic services, medicare, and welfare programs integrated with and into the Canada Assistance Plan amounted to \$1,355.5 million, \$629.3 million and \$778.5 million, respectively. These amounts include the value of income tax abatement to Quebec of \$358.8 million and \$106.3 million, respectively. Further details are given in Table 20.16.

In 1965 provinces were given the option to assume full financial and administrative responsibility for certain programs in return for fiscal compensation and to this end, the federal government enacted in April 1965 the Established Programs (Interim Arrangements) Act. The nature and number of programs were itemized in the schedules to the Act. Schedule I listed the major conditional grant programs of a continuing nature and Schedule II listed smaller and more transient programs. The Schedule I programs were: hospital insurance, old age assistance, blind persons' allowances, disabled persons' allowances, and the welfare portion of unemployment assistance; the technical and vocational training programs for youths who were not yet members of the labour force; and the health grant program, except those elements that involved research and demonstration. The Schedule II programs were: agricultural lime assistance; forestry programs; hospital construction grants; campgrounds and picnic areas; and the roads-to-resources program. The Act was subsequently amended to include the Canada Assistance Plan.

A province wishing to avail itself of the provisions of the Established Programs (Interim Arrangements) Act in respect of a Schedule I program, was required to enter into a supplemental agreement in which it undertook to assume full responsibility for the administration and financing of the program. On the other hand, 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 of these programs was to be paid directly to the province by the federal Minister of Finance.

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 programs listed 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. Amendments made to the Act in 1972 extended the length of the interim period for the special welfare and hospital insurance programs to March 31, 1977 and December 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 value of tax points to their approximate value under the 1972 revised Income Tax Act. Quebec alone availed itself of the provisions of this legislation.

20.4 Provincial government finance

Because of considerable variation from province to province in administrative structures and, to a lesser extent, in accounting and reporting practices, adjustments have to be made to financial data reported in the public accounts of the provinces and territories to produce statistics which will be comparable between different provinces and with those for the other levels of government. In 1972 the concepts and classifications of the national system of government financial statistics were reviewed and redefined by Statistics Canada (see *The Canadian system of government financial management statistics*, Catalogue No. 68-506). Financial statistics for the years 1971 onward are compiled in accordance with these revisions to the system and are not comparable with data for prior years published in earlier editions of the *Canada Year Book*. An historical revision of these earlier data to conform with the revised