

# REFORMING THE FRAMEWORK FOR INTERGOVERNMENTAL FISCAL RELATIONS

Ha e La a

Since the late 1970s, fiscal relations in Canada have been divided into federal and provincial decisions and handled on a pro-am-b-pro-am basis. Though pragmatic and flexible, this approach, the Ha e La a, fail to provide a sense of direction to the federation and make it hard to propose and to implement a federal behaviour and plan for the fiscal future. In this article, the authors have argued for a new intergovernmental framework to achieve a more stable and predictable. To that end, the authors have recommended change and propose a to achieve them: limit Ottawa's freedom to act on non-adopting some form of a pro-am-b-pro-am agreement, increase Ottawa's share of the fiscal iceberg to include the provincial income tax, and establish a better balance between the provincial long-term pro-am-b-pro-am commitment and Ottawa's short-term commitment to budgetary discipline.

Depuis la fin de l'année 1970, les relations fiscales intergouvernementales sont principalement déterminées par les décisions d'Ottawa et de chaque province. Bien qu'elle soit pragmatique et flexible, cette approche empêche l'application d'une orientation claire pour la fédération, et le Ha e La a, et peut difficilement assurer la coopération et l'adhésion des provinces à la planification budgétaire. Pour plus d'efficacité et de prévisibilité, l'auteur propose donc de modifier le cadre des relations intergouvernementales. Pour ce faire, il propose trois modifications : étendre la liberté d'Ottawa d'agir unilatéralement en adoptant une forme d'accord pro-am-b-pro-am ; accroître la part provinciale du budget fédéral en incluant la taxe provinciale sur le revenu ; améliorer l'équilibre entre l'engagement provincial à long terme en matière de pro-am-b-pro-am et l'engagement financier court terme d'Ottawa en améliorant les limites de dépenses fédérales.



*explicit*  
*implicit*

At the moment, the idea of a long-term addition of the federal government to the national government is not being considered. It is not clear whether the government is planning to make any changes to the major tax laws, but it is a legal fact of life that the President alone decides on the level of federal financial commitments to the program and the terms. The Supreme Court has confirmed his position.

rules

ground

It can, of course, be argued that most federal and provincial programs have no guarantee of long-term funding from the Ontario Finance Ministry and that the above concerns therefore have little merit. Moreover, it is true that provincial health, education and social service ministries have at least some economic health finance ministry make the resource allocation decisions that depend on it, in that the cabinet has the power to set the priorities. The lack of this option, however, does not mean that the federal finance ministry makes the decisions, and the lack of economic need to be offset immediately.

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What might Ottawa get in return? It could enable the provincial and territorial legislatures to enact legislation that would commit them to implement the negotiated program court order (like the principle of the *Canada Health Act*) and to not amend such commitments without a process similar to the one outlined above for the federal government. Politically, it would not be impossible for a government to back out of commitments unilaterally, though such reciprocal legislation is in place.

*Health Act*

*Canada*

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Although the 2006 Conference Panel proposed a more permanent solution to the issue of intergovernmental fiscal imbalance, the uncertainty over the government's agreement on some division of the fiscal pie for all time over a decade. The political uncertainty and the influence of the behaviour of governments may preclude this possibility. What is predictable, however, is the creation of a level of engagement between the different levels of government that is fair and transparent. This in itself would be a major step towards a more stable intergovernmental fiscal arrangement.

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