

Office of the Minister  
of Finance



Cabinet du ministre  
des Finances

Ottawa, Canada K1A 0G5

JUL 11 2018

2018FIN472936

Dr. Paul Patterson  
paulpatterson@ns.sympatico.ca

Dear Dr. Patterson:

On behalf of the Minister of Finance, the Honourable Bill Morneau, thank you for your correspondence of May 11, 2018, in which you inquired about the unconditional nature of federal Equalization payments. Please excuse the delay in replying.

Having reviewed your correspondence, as well as material that your group has published at [www.nsef.ca](http://www.nsef.ca), we think it is important to highlight that the federal Equalization program and Nova Scotia's municipal Equalization program are two distinct programs delivered by two different levels of Government.

The Equalization program is intended to fulfill the commitment respecting public services under subsection 36(2) of the *Constitution Act*, 1982. Under the program, transfer payments are made to provincial governments to ensure that they are able to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

The *Federal-Provincial Fiscal Arrangements Act*, which was enacted by Parliament to govern this program, determines these payments on the basis of a province's ability to generate its own revenue compared to the fiscal capacity for all provinces. Any transfer payments made under the program are provided to the particular province without conditions. Provinces are able to use these funds as they see necessary within their Constitutional jurisdiction.

By contrast, the Nova Scotia's municipal Equalization program is a provincial government program. According to the Government of Nova Scotia, it is a legislated unconditional operating grant to assist municipalities whose costs of delivering a core set of services exceed their ability to pay, when compared to similar municipalities.

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We understand that you have concerns about how funds under the provincial program are disbursed to the Cape Breton Regional Municipality. However, your concerns would be best shared with the provincial government, as it is responsible for the program.

If you would like to obtain more information regarding major federal transfers, please visit the Department of Finance Canada's website at [www.fin.gc.ca](http://www.fin.gc.ca).

Thank you for writing.

Sincerely,

A handwritten signature in blue ink, appearing to read "a. chalke".

Allie Chalke  
Policy Advisor

The Office of the Honourable Bill Morneau - Minister of Finance